

NOTICE OF SALE AND PRELIMINARY OFFICIAL STATEMENT

In the opinion of Edwards Angell Palmer & Dodge LLP, Bond Counsel, based upon an analysis of existing law and assuming, among other matters, compliance with certain covenants, interest on the Notes is excluded from gross income for federal income tax purposes under the Internal Revenue Code of 1986. Interest on the Notes is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Under existing law, interest on the Notes is exempt from Massachusetts personal income taxes, and the Notes are exempt from Massachusetts personal property taxes. **The Notes will be designated as “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Code.** Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Notes. See “Tax Exemption” herein.

TOWN OF LUNENBURG Massachusetts (Book-Entry-Only)

\$5,689,258 GENERAL OBLIGATION BOND ANTICIPATION NOTES

Dated: June 25, 2008

Due: June 25, 2009

The Notes, in book-entry form, are offered without the option of prior redemption. The principal of and interest on the Notes are payable at maturity in federal reserve funds at The Bank of New York Trust Company, N.A. in Boston, Massachusetts, as Paying Agent.

The legality of the Notes will be approved by Edwards Angell Palmer & Dodge LLP of Boston, Massachusetts, Bond Counsel to the Town. UniBank Fiscal Advisory Services, Inc., Whitinsville, Massachusetts serves as fiscal advisor to the Town. It is expected that the Notes will be delivered to The Depository Trust Company or its custodial agent against payment to the account of the Town in federal reserve funds on or about June 25, 2008.

Electronic Bids Via i-Deal®

or

**Telephone Bids
at (508) 849-4226**

or

**Faxed Bids Received
at (508) 234-1938**

Until

11:00 A.M. (Local Time)

on

Thursday, June 12, 2008



UniBank Fiscal Advisory Services, Inc

Dated: June 5, 2008

ISSUE SUMMARY STATEMENT

Issuer: Town of Lunenburg, Massachusetts

Date of Sale: Thursday, June 12, 2008 until 11:00 a.m. (local time)

Method of Sale: Electronic Bids Via **i-Deal®** or Telephone Bids at (508) 849-4226 or Faxed Bids at **(508) 234-1938** (Refer to Appendix C Bid Form)

Issue: \$5,689,258 General Obligation Bond Anticipation Notes – Book-Entry-Only

Dated Date: June 25, 2008

Maturity Date: June 25, 2009

Interest Calculation: 30/360 (360/360)

Security: The Notes are valid general obligations of the Town of Lunenburg, Massachusetts and the principal of and interest on the Notes are payable from taxes which may be levied upon all taxable property within the territorial limits of the Town without limit as to rate or amount, subject to the provisions of Chapter 44, Section 20 of the General Laws, with respect to that portion of the principal and interest payments that the Town has voted to exempt from the limit imposed by Chapter 59, Section 21C of the General Laws and subject to the limit imposed by Chapter 59, Section 21C of the General Laws with respect to that portion of the principal and interest payments that the Town has not voted to exempt from that limit.

Basis of Award: Lowest net interest cost (NIC) after the subtraction of any premium offered.

Tax Exemption: Refer to Tax Exemption herein.

Continuing Disclosure: Refer to Disclosure of Material Events herein.

Bank Qualification: **The Town will designate the Notes as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986. Accordingly, in the opinion of Bond Counsel a deduction will be allowed to a financial institution for eighty percent its interest expense allocable to the Notes.**

Paying Agent: The Bank of New York Trust Company, N.A., Boston, Massachusetts

Legal Opinion: Edwards Angell Palmer & Dodge LLP, Boston, Massachusetts

Delivery and Payment: It is expected that the Notes will be delivered to The Depository Trust Company against payment to the account of the Town in federal reserve funds on or about June 25, 2008.

Issue Contacts: Julie Dell'Anna, Treasurer, Town of Lunenburg, Tel. # (978) 582-4133
Kimberley R. Pare, Municipal Finance Officer, UniBank Fiscal Advisory Services, Inc., Tel. # (508) 849-4226
Roger Vacco, Edwards Angell Palmer & Dodge LLP, Boston, MA
Tel. # (617) 239-0401

Additional Information: Refer to the Preliminary Official Statement dated June 5, 2008.

Notice of Sale

TOWN OF LUNENBURG Massachusetts (Book-Entry-Only)

\$5,689,258

GENERAL OBLIGATION BOND ANTICIPATION NOTES

The Town of Lunenburg, Massachusetts (the "Town"), will receive telephone bids at (508) 849-4226 or faxed bids at (508) 234-1938 or electronic bids via i-Deal[®] until 11:00 A.M. (local time) on

June 12, 2008

for the purchase of \$5,689,258 General Obligation Bond Anticipation Notes of the Town. The Notes, in book-entry form, will be dated June 25, 2008 and will mature June 25, 2009.

Interest will be payable at maturity and will be computed for 30 day months and a 360 day year basis (360/360). Both principal and interest on the Notes will be payable in federal reserve funds to DTC by The Bank of New York Trust Company, N.A. in Boston, Massachusetts, acting as Paying Agent to the Town.

Bids may be for all or part of each Series of the Notes at a single or various rates of interest in a multiple of one-eighth (1/8) or one-hundredth (1/100) of one percent (1%). No bid of less than par **plus a premium of not less than \$17,067.77 on the Notes** plus accrued interest to the date of delivery will be considered. **The minimum amount to be bid at a single rate of interest on the Notes is \$1,000,000.**

The Notes will be awarded on the basis of the lowest net interest cost to the Town after the subtraction of any premium offered. In the event a bidder offering a premium for the Notes is awarded a lesser amount of Notes than bid, the premium will be reduced proportionately. The award of the Notes to the winning bidder will not be effective until the bid has been approved by the Treasurer and the Board of Selectmen of the Town.

The Notes will be issued by means of a book-entry system evidencing ownership in principal amounts of \$1,000 or integral multiples thereof with one denomination of \$1,258, and transfer of the Notes on the records of The Depository Trust Company and its Participants.

Electronic proposals will be submitted through **i-Deal[®]**. If any provisions in this Notice of Sale conflict with information provided by **i-Deal[®]**, this Notice of Sale shall control. Further information about **i-Deal[®]**, including any fees charged, may be obtained from **i-Deal[®]** at (212) 849-5000. The Town assumes no responsibility or liability for bids submitted through **i-Deal[®]**. An electronic bid made in accordance with this Notice of Sale shall be deemed an irrevocable offer to purchase the Notes in accordance with the terms provided in this Notice of Sale and shall be binding upon the bidder as if made by a signed and sealed written bid delivered to the Town.

Each purchaser will be furnished the opinion of Edwards Angell Palmer & Dodge LLP of Boston, Massachusetts, approving the legality of the Notes. The opinion will state that the Notes are valid general obligations of the Town of Lunenburg and that, except to the extent they are paid from the bonds in anticipation of which they are issued or from any other available monies, the principal of the Notes and the corresponding interest thereon are payable from taxes which may be levied upon all taxable property in the Town without limit as to rate or amount, except as provided under Chapter 44, Section 20 of the General Laws, with respect to that portion of the principal and interest payments that the Town has voted to exempt from the limit imposed by Chapter 59, Section 21C of the General Laws and subject to the limit imposed by Chapter 59, Section 21C of the General Laws with respect to that portion of the principal and interest payments that the Town has not voted

to exempt from that limit. The opinion will further indicate that the interest is exempt from Massachusetts personal income taxes and is excludable from gross income for federal income tax purposes (see "Tax Exemption"). Payment of the principal and interest on the Notes is not limited to a particular fund or source of revenue nor is any lien or pledge for such payment created with respect to any fund or source.

On or prior to the date of delivery of the Notes, the successful bidder shall furnish to the Town a certificate acceptable to Bond Counsel to the effect that (a) as of June 12, 2008 (the "Sale Date"), the Purchaser had offered or reasonably expected to offer all of the Notes to the general public (excluding bond houses, brokers, or similar persons acting in the capacity of underwriters or wholesalers) in a bona fide public offering at the price set forth in such certificate, plus accrued interest, if any, (b) such price represents the fair market price of the Notes as of the Sale Date, and (c) as of the date of such certificate, all of the Notes have been offered to the general public in a bona fide offering at the price set forth in such certificate, and at least 10% of the principal amount of the Notes actually has been sold to the general public at such price. To the extent the certifications described in the preceding sentence are not factually accurate with respect to the reoffering of the Notes, Bond Counsel should be consulted by the bidder as to alternative certifications that will be suitable to establish the "issue price" of the Notes for federal tax law purposes. If the Purchaser is purchasing the Notes for its own account and not on behalf of another party, and the Purchaser does not presently intend to resell the Notes, the successful bidder will be required to so certify.

It is anticipated that CUSIP identification numbers will be printed on the Notes. All expenses in relation to the printing of CUSIP numbers on the Notes shall be paid for by the Town, provided, however, that the Town assumes no responsibility for any CUSIP Service Bureau charge or other charge that may be imposed for the assignment of such numbers.

Any questions regarding this Notice of Sale or the Preliminary Official Statement should be directed to Kimberley R. Pare, Municipal Finance Officer, UniBank Fiscal Advisory Services, Inc., Whitinsville, Massachusetts at (508) 849-4226 or Julie Dell'Anna, Town Treasurer, at (978) 582-4133. This Preliminary Official Statement is deemed final by the Town except for the omission of the reoffering prices, interest rates, and any other terms of the Notes depending on such matters and the identity of the underwriters. Within seven business days following the award of the Notes and receipt of necessary information from the successful bidder, 10 copies of the Final Official Statement will be made available to the successful bidder. Upon request, additional copies will be provided at the expense of the successful bidder.

Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (the "Rule"), provides that underwriters may not purchase or sell municipal securities unless the issuer of the municipal securities undertakes to provide continuing disclosure with respect to those securities, subject to certain exemptions, including a limited exemption, applicable to the Notes, for municipal securities maturing in 18 months or less. The Town will covenant, at the time of the delivery of the Notes, to provide notices of the occurrence of certain events described in paragraph (b)(5)(i)(C) of the Rule, as provided in a Material Events Disclosure Certificate to be dated as of the date of the Notes and incorporated by reference in the Notes.

The Town will designate the Notes as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986. Accordingly, a deduction will be allowed to a financial institution for eighty percent of its interest expense allocated to the Notes.

The right is reserved to reject any or all bids and to reject any bid not complying with this Notice of Sale, and so far as permitted by law, to waive any irregularity with respect to any proposal.

The Notes will be delivered to The Depository Trust Company or its custodial agent, against payment to the account of the Town in federal reserve funds on or about April 11, 2008.

**TOWN OF LUNENBURG
Massachusetts**

/s/ Julie Dell'Anna
Town Treasurer

Dated: June 5, 2008

Bond Counsel are not passing upon and do not assume any responsibility for the accuracy or adequacy of the following information contained in the Preliminary Official Statement other than matters expressly set forth as the opinion of Bond Counsel.

PRELIMINARY OFFICIAL STATEMENT

**TOWN OF LUNENBURG
Massachusetts
(Book-Entry-Only)**

**\$5,689,258
BOND ANTICIPATION NOTES**

INTRODUCTION

This Preliminary Official Statement is provided for the purpose of presenting certain information relating to the Town of Lunenburg, Massachusetts (the "Town") in connection with the sale of \$5,689,258 Bond Anticipation Notes (the "Notes") of the Town.

The Notes are being offered for sale at a public bidding and a Notice of Sale dated June 5, 2008, has been furnished to prospective bidders. Reference is hereby made to the Notice of Sale for the terms and conditions of bidding.

The Notes will be general obligations of the Town for which its full faith and credit are pledged. They are not guaranteed by The Commonwealth of Massachusetts (the "Commonwealth") or any other entity. Payment of the principal of and interest on the Notes is not limited to a particular fund or revenue source. The security for the Notes is more fully described under the caption Security and Remedies below.

Questions regarding information contained in this Official Statement or other matters should be directed to the following: Julie Dell'Anna, Town Treasurer, (978) 582-4133; Kimberley R. Pare, Municipal Finance Officer, UniBank Fiscal Advisory Services, Inc. (508) 849-4226; or Roger Vacco, Edwards Angell Palmer & Dodge LLP (617) 239-0401.

The information contained herein has been obtained from the sources indicated or from the Town.

PART I
THE NOTES

DESCRIPTION OF THE NOTES

The Notes will be dated June 25, 2008 and mature June 25, 2009 with interest at the rate or rates determined upon their sale payable at maturity. The Notes will be issued in book-entry form in principal amounts of \$1,000 or integral multiples thereof with one denomination of \$1,258, with transfer of the Notes on the records of The Depository Trust Company and its participants. Interest will be payable at maturity and will be computed on the basis of 30 day months and a 360 day year (360/360). The Notes will be issued without the option of prior redemption. Both principal and interest will be payable to DTC by The Bank of New York Trust Company, N.A., in Boston, Massachusetts, or its successor, as Paying Agent.

AUTHORIZATION AND USE OF PROCEEDS

The Notes consist of the following amounts and authorizations:

<u>Amount</u>	<u>Purpose</u>	<u>Statutory Authorization</u>	<u>Vote Date</u>
\$4,154,298	Water and Wastewater Bonds	MGL Ch. 44, s. 8(6) and 7(1)	05/06/2006
760,000	Departmental Equipment	MGL Ch. 44, s. 7(9)	05/05/2007
450,000	Athletic Facility	MGL Ch. 44, s. 7(25)	12/05/2006 & 11/07/2006
249,960	Departmental Equipment	MGL Ch. 44, s. 7(9)	05/03/2008
75,000	Landfill Closure	MGL Ch. 44, s. 8(24)	05/05/2007
<u>\$5,689,258</u>			

The proceeds of the Notes will be used in part to redeem \$400,000 bond anticipation notes issued from time to time and now maturing June 25, 2008, and in part to provide additional temporary financing for the projects.

SECURITY AND REMEDIES

Full Faith and Credit. General obligation bonds and notes of a Massachusetts city or town constitute a pledge of its full faith and credit. Payment is not limited to a particular fund or revenue source. Except for "qualified bonds" and setoffs of state distributions (see "State Distributions") no provision is made by the Massachusetts statutes for priorities among bonds and notes and other general obligations, although the use of certain moneys may be restricted.

Tax Levy. The Massachusetts statutes direct the municipal assessors to include annually in the tax levy for the next fiscal year "all debt and interest charges matured and maturing during the next fiscal year and not otherwise provided for (and) all amounts necessary to satisfy final judgments". Specific provision is also made for including in the next tax levy payments of rebate amounts not otherwise provided for and payments of notes in anticipation of federal or state aid if the aid is no longer forthcoming.

The total amount of a tax levy is limited by statute. However the voters in each municipality may vote to exclude from the limitation any amounts required to pay debt service on indebtedness incurred before November 4, 1980. Local voters may also vote to exempt specific subsequent bond issues from the limitation. (See "Tax Limitation" below.) In addition, obligations incurred before November 4, 1980 may be constitutionally entitled to payment from taxes in excess of the statutory limit. **The Town voted to exempt debt service on \$450,000 of these Notes and \$15,809,572 of previously issued bonds from the limitations of Proposition 2 1/2.**

Except for taxes on the increased value of certain property in designated development districts which may be pledged for the payment of debt service on bonds issued to finance economic development projects within such districts, no provision is made for a lien on any portion of the tax levy to secure particular bonds or notes or bonds and notes generally (or judgments on bonds or notes) in priority to other claims. Provision is made, however, for borrowing to pay judgments, subject to the General Debt Limit (see Debt Limits below). Subject to the approval of the State Director of Accounts for judgments above \$10,000, judgments may also be paid from available funds without appropriation and included in the next tax levy unless other provision is made.

Court Proceedings. In the opinion of Bond Counsel, Massachusetts cities and towns are subject to suit on their general obligation bonds and notes and courts of competent jurisdiction have power in appropriate proceedings to order payment of a judgment on the bonds or notes from lawfully available funds or, if necessary, to order the city or town to take lawful action to obtain the required money, including the raising of it in the next annual tax levy, within the limits prescribed by law (see "Tax Limitations"). In exercising their discretion as to whether to enter such an order, the courts could take into account all relevant factors including the current operating needs of the city or town and the availability and adequacy of other remedies. The Massachusetts Supreme Judicial Court has stated in the past that a judgment against a municipality can be enforced by the taking and sale of the property of any inhabitant. However, there has been no judicial determination as to whether this remedy is constitutional under current due process and equal protection standards.

Restricted Funds. Massachusetts statutes also provide that certain water, gas and electric, community antenna television system, telecommunications, sewer, parking meter and passenger ferry fee, community preservation and affordable housing receipts may be used only for water, gas and electric, community antenna television system, telecommunications, sewer, parking, mitigation of ferry service impacts, community preservation and affordable housing purposes, respectively; accordingly, moneys derived from these sources may be unavailable to pay general obligation bonds and notes issued for other purposes. A city or town that accepts certain other statutory provisions may establish an enterprise fund for a utility, health care, solid waste, recreational or transportation facility and for police or fire services; under those provisions any surplus in the fund is restricted to use for capital expenditures or reduction of user charges. In addition, subject to certain limits, a city or town may annually authorize the establishment of one or more revolving funds in connection with use of certain revenues for programs that produce those revenues; interest earned on a revolving fund is treated as general fund revenue. Also, the annual allowance for depreciation of a gas and electric plant or a community antenna television and telecommunications system is restricted to use for plant renewals and improvements, for nuclear decommissioning costs, and costs of contractual commitments, or, with the approval of the State Department of Telecommunications and Energy, to pay debt incurred for plant or system reconstruction or renewals. Revenue bonds and notes issued in anticipation of them, may be secured by a prior lien on specific revenues. Receipts from industrial users in connection with industrial revenue financings are also not available for general municipal purposes.

State Distributions. State grants and distributions may in some circumstances be unavailable to pay general obligation bonds and notes of a city or town in that the State Treasurer is empowered to deduct from such grants and distributions the amount of any debt service paid on "qualified bonds" and any other sums due and payable by the city or town to the Commonwealth or certain other public entities, including any unpaid assessments for costs of any public transportation authority (such as the Massachusetts Bay Transportation Authority (the "MBTA") or a regional transit authority) of which it is a member, for costs of the Massachusetts Water Resource Authority (the "MWRA") if the city or town is within the territory served by the Authority, for any debt service due on obligations issued to the Massachusetts School Building Authority, or for charges necessary to meet obligations under the Commonwealth's Water Pollution Abatement or Drinking Water Revolving Loan Programs, including such charges imposed by another local governmental unit that provides wastewater treatment or collection services or drinking water treatment services to the city or town.

If a city or town is (or is likely to be) unable to pay principal or interest on its bonds or notes when due, it is required to notify the State Commissioner of Revenue. The Commissioner shall in turn, after verifying the inability, certify the inability to the State Treasurer. The State Treasurer shall pay the due or overdue amount to the paying agent for the bonds or notes, in trust, within three days after the certification or one business day prior to the due date (whichever is later). This payment is limited, however, to the estimated amount otherwise distributable by the Commonwealth to the city or town during the remainder of the fiscal year (after the deductions mentioned in the foregoing paragraph). If for any reason any portion of the certified sum has not been paid at the end of the fiscal year, the State Treasurer shall pay it as soon as practicable in the next fiscal year to the extent of the estimated distributions for that fiscal year. The sums so paid shall be charged (with interest and administrative costs) against the distributions to the city or town.

The foregoing does not constitute a pledge of the faith and credit of the Commonwealth. The Commonwealth has not agreed to maintain existing levels of state distributions and the direction to use estimated distributions to pay debt service may be subject to repeal by future legislation. Moreover, adoption of the annual appropriation act is often delayed beyond the beginning of the fiscal year and estimated distributions which are subject to appropriation may be unavailable to pay local debt service until they are appropriated.

Bankruptcy. Enforcement of a claim for payment of principal of or interest on general obligation bonds or notes would be subject to the applicable provisions of Federal bankruptcy laws and to the provisions of other statutes, if any, hereafter enacted by the Congress or the State legislature extending the time for payment or imposing other constraints upon enforcement insofar as the same may be constitutionally applied. Massachusetts municipalities are not currently authorized by the Massachusetts General Laws to file a petition for bankruptcy under Federal Bankruptcy Laws.

OPINION OF BOND COUNSEL

Each original purchaser will be furnished a copy of the opinion of Edwards Angell Palmer & Dodge LLP of Boston, Massachusetts, approving the legality of the Notes. The scope of engagement of Bond Counsel does not extend to passing upon or assuming responsibility for the accuracy of any statements made in the Official Statement other than matters expressly set forth as their opinion and they make no representation that they have independently verified the same.

TAX EXEMPTION

In the opinion of Edwards Angell Palmer & Dodge LLP, Bond Counsel to the Town (“Bond Counsel”), based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”). Bond Counsel is of the further opinion that interest on the Notes is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other federal tax consequences arising with respect to the ownership or disposition of, or the accrual or receipt of interest on, the Notes.

The Code imposes various requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Notes. Failure to comply with these requirements may result in interest on the Notes being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Notes. The Town has covenanted to comply with such requirements to ensure that interest on the Notes will not be included in federal gross income. The opinion of Bond Counsel assumes compliance with these requirements.

Bond Counsel is also of the opinion that, under existing law, interest on the Notes is exempt from Massachusetts personal income taxes, and the Notes are exempt from Massachusetts personal property taxes. Bond Counsel has not opined as to other Massachusetts tax consequences arising with respect to the Notes. Prospective Noteholders should be aware, however, that the Notes are included in the measure of Massachusetts estate and inheritance taxes, and the Notes and the interest thereon are included in the measure of certain Massachusetts corporate excise and franchise taxes. Bond Counsel has not opined as to the taxability of the Notes or the income therefrom under the laws of any state other than Massachusetts.

To the extent the issue price of the Notes is less than the amount to be paid at maturity of such Notes (excluding amounts stated to be interest and payable at least annually over the term of such Notes), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each owner thereof, is treated as interest on the Notes which is excluded from gross income for federal income tax purposes and is exempt from Massachusetts personal income taxes. For this purpose, the issue price of the Notes is the first price at which a substantial amount of such Notes is sold to the public (excluding note houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to the Notes accrues daily over the term to maturity of such Notes on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Notes to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Notes. Noteholders should consult their own tax advisors with respect to the tax consequences of ownership of Notes with original issue discount, including the treatment of purchasers who do not purchase such Notes in the original offering to the public at the first price at which a substantial amount of such Notes is sold to the public.

Notes purchased, whether at original issuance or otherwise, for an amount greater than the stated principal amount to be paid at maturity of such Notes, or, in some cases, at the earlier redemption date of such Notes ("Premium Notes"), will be treated as having amortizable note premium for federal income tax purposes and Massachusetts personal income tax purposes. No deduction is allowable for the amortizable note premium in the case of obligations, such as the Premium Notes, the interest on which is excluded from gross income for federal income tax purposes. However, a Noteholder's basis in a Premium Note will be reduced by the amount of amortizable note premium properly allocable to such Noteholder. Holders of Premium Notes should consult their own tax advisors with respect to the proper treatment of amortizable note premium in their particular circumstances.

Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Notes may adversely affect the value of, or the tax status of interest on, the Notes. Further, no assurance can be given that pending or future legislation, including amendments to the Code, if enacted into law, or any proposed legislation, including amendments to the Code, or any future judicial, regulatory or administrative interpretation or development with respect to existing law, will not adversely affect the value of, or the tax status of interest on, the Notes. Prospective Noteholders are urged to consult their own tax advisors with respect to proposals to restructure the federal income tax.

Although Bond Counsel is of the opinion that interest on the Notes is excluded from gross income for federal income tax purposes and is exempt from Massachusetts personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the Notes may otherwise affect the federal or state tax liability of a Noteholder. Among other possible consequences of ownership or disposition of, or the accrual or receipt of interest on, the Notes, the Code requires recipients of certain social security and certain railroad retirement benefits to take into account receipts or accruals of interest on the Notes in determining the portion of such benefits that are included in gross income. The nature and extent of all such other tax consequences will depend upon the particular tax status of the Noteholder or the Noteholder's other items of income or deduction. Except

as indicated in the following paragraph, Bond Counsel expresses no opinion regarding any such other tax consequences, and Noteholders should consult with their own tax advisors with respect to such consequences.

The Notes will be designated as “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Code. Accordingly, in the opinion of Bond Counsel, a deduction will be allowed to a financial institution for eighty percent of its interest expense allocable to the Notes.

Book-Entry Transfer System

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Notes. The Notes will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Note certificate will be issued for each interest rate, each in the aggregate principal amount bearing such interest rate, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser of each Note ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC's records reflect only the identity of the Direct Participants to whose

accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Notes unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Town as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Town or the Paying Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the Town or the Paying Agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Town or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Notes at any time by giving reasonable notice to the Town or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Note certificates are required to be printed and delivered.

The Town may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Note certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Town believes to be reliable, but the Town takes no responsibility for the accuracy thereof.

RATING

Moody's Investors Service has assigned their municipal Note rating of "MIG 1", respectively to the Notes and affirmed the Town's A2 underlying rating. The rating reflects only their view and is subject to revision or withdrawal, which could affect the market price of the Notes and the bonds in anticipation of which they are issued.

DISCLOSURE OF MATERIAL EVENTS

In order to assist underwriters in complying with the requirements of paragraph (b)(5)(i)(C) of Rule 15c2-12 promulgated by the Securities and Exchange Commission (the “Rule”) applicable to municipal securities having a stated maturity of 18 months or less, the Town will covenant for the benefit of the owners of the Notes to file with each nationally recognized municipal securities information repository (and with the appropriate state information depository, if any), notices of the occurrence of any of the following events with respect to the Notes, if material: (a) principal and interest payment delinquencies; (b) non-payment related defaults; (c) unscheduled draws on debt service reserves reflecting financial difficulties; (d) unscheduled draws on credit enhancements reflecting financial difficulties; (e) substitution of credit or liquidity providers, or their failure to perform; (f) adverse tax opinions or events affecting the tax-exempt status of the Notes; (g) modifications to rights of owners of the Notes; (h) bond calls; (i) defeasances; (j) release, substitution or sale of property securing the repayment of the Notes; or (k) changes in the ratings on the Notes. (It should be noted that as of this date events of the types described in clauses (b), (c) (d), (e), (h), and (j) are not applicable to the Notes.)

The covenant will be included in a Material Events Disclosure Certificate to be executed by the signers of the Notes and incorporated by reference in the Notes. The sole remedy available to the owners of the Notes for the failure of the Town to comply with any provision of the certificate shall be an action for specific performance of the Town’s obligations under the certificate and not for money damages; no other person shall have any right to enforce any provision of the certificate. The Town has never failed to comply in all material respects with any previous undertakings to provide annual reports or notices of material events in accordance with the Rule.

PART II

THE TOWN

Lunenburg, incorporated in 1728, is governed by the open town meeting form of government. Occupying a land area of approximately 26.4 square miles, the Town is located in north central Massachusetts approximately 43 miles from Boston, it is bordered on the west by the Town of Ashby and the City of Fitchburg, on the south by the Town of Lancaster and the City of Leominster, on the east by the Town of Shirley, and on the north by the Town of Townsend.

GOVERNING BODIES AND OFFICERS

Local legislative decisions are made by an open town meeting consisting of all registered voters in the Town. Subject to the legislative decisions made by town meeting, the affairs of the Town are generally administered by a board of five selectmen and a Chief Administrator and Finance Officer. Local school affairs are administered by an elected school committee of seven persons while local taxes are assessed by a board of three assessors all appointed on an at-large basis for staggered three-year terms.

The following is a list of the principal executive officers:

Title	Name	Manner of Selection	Length of Term	Expiration of Term
Chrm Board of Selectmen	Thomas Alonzo	Elected	3 Years	2011
Selectman	Thomas J. Mason	Elected	3 Years	2010
Selectman	Steven M. deBetencourt	Elected	3 Years	2010
Selectman	David Matthews	Elected	3 Years	2011
Selectman	Paula Bertram	Elected	3 Years	2009
Chief Administrative and Financial Officer	Kerry Speidel	Appointed	3 Years	2010
Town Accountant	Karen M. Brochu	Appointed	5 Years	2009
Treasurer/Tax Collector	Julie Dell'Anna	Appointed	3 Years	2010
Town Clerk	Kathryn M. Herrick	Appointed	3 Years	2010
Town Counsel	Kopelman & Paige P.C.	Appointed	Indefinite	Indefinite

SERVICES

The Town provides general governmental services for the territory within its boundaries including police and fire protection, public education in grades pre-school through 12, a library, streets, parks and recreations. A majority of Town residents have private septic systems and one small area of Town is serviced by the Fitchburg system. The Lunenburg Water District provides water service to approximately 75% of the Town, the remaining 25% have private wells.

Legislation was enacted in 1997 abolishing the county governments of Franklin and Middlesex counties as of July 1, 1997, with their assets, functions, debts and other obligations being assumed by the Commonwealth. The abolishment of the Middlesex County government was in part in response to a default by the county in the payment of its general obligation notes. The legislation also abolished the county governments of Hampden and Worcester counties as of July 1, 1998. Legislation enacted in 1998 abolished the county governments of Hampshire, Essex and Berkshire counties as of January 1, 1999, July 1, 1999 and July 1, 2000, respectively. The legislation also requires the state secretary for administration and finance to establish a plan to recover the Commonwealth's expenditures for the liabilities and other debts assumed and paid by the Commonwealth on behalf of an abolished county. Unless these provisions are changed by further legislation, the state treasurer

shall assess upon each city and town within the jurisdiction of an abolished county an amount equal to the county tax paid by each such city and town for the fiscal year immediately prior to the abolishment of the county (or two years prior in the case of Essex County) until such expenditures by the Commonwealth are recovered. It is possible that similar legislation will be sought to provide for the abolishment of county governments in other counties.

AUTHORIZATION OF GENERAL OBLIGATION BONDS AND NOTES

Serial bonds and notes are authorized by a two-thirds vote of the town meeting. Refunding bonds and notes are authorized by the selectmen. Borrowings for some purposes require State administrative approval.

When serial bonds or notes have been authorized, bond anticipation notes may be issued by the officers authorized to issue the serial bonds or notes. Temporary loans in anticipation of revenue of the fiscal year in which the debt is incurred or in anticipation of authorized federal and state aid may be incurred by the Treasurer with the approval of the Selectmen.

DEBT LIMITS

General Debt Limit. The General Debt Limit of a city or town consists of a Normal Debt Limit and a Double Debt Limit. The Normal Debt Limit is 5 percent of the valuation of taxable property as last equalized by the State Department of Revenue. A city or town can authorize debt up to this amount without state approval. It can authorize debt up to twice this amount (the Double Debt Limit) with the approval of the state Municipal Finance Oversight Board composed of the State Treasurer, the State Auditor, the Attorney General and the Director of Accounts.

There are many categories of general obligation debt which are exempt from and do not count against the General Debt Limit. Among others, these exempt categories include revenue anticipation notes and grant anticipation notes; emergency loans; loans exempted by special laws; certain school bonds, sewer bonds, solid waste disposal facility bonds and economic development bonds supported by tax increment financing; and subject to special debt limits, bonds for water (limited to 10 percent of equalized valuation), housing, urban renewal and economic development (subject to various debt limits), and electric, gas, community antenna television systems, and telecommunications systems (subject to separate limits). Revenue bonds are not subject to these debt limits. The General Debt Limit and the special debt limit for water bonds apply at the time the debt is authorized. The other special debt limits generally apply at the time the debt is incurred.

Revenue Anticipation Notes. The amount borrowed in each fiscal year by the issue of revenue anticipation notes is limited to the tax levy of the prior fiscal year, together with the net receipts in the prior fiscal year from the motor vehicle excise and certain payments made by the Commonwealth in lieu of taxes. The fiscal year ends on June 30. Notes may mature in the following fiscal year, and notes may be refunded into the following fiscal year to the extent of the uncollected, unabated current tax levy and certain other items, including revenue deficits, overlay deficits, final judgments and lawful unappropriated expenditures, which are to be added to the next tax levy, but excluding deficits arising from a failure to collect taxes of earlier years. (See Taxation to Meet Deficits below.) In any event, the period from an original borrowing to its final maturity cannot exceed one year.

TYPES OF OBLIGATIONS

General Obligations. Massachusetts cities and towns are authorized to issue general obligation indebtedness of these types:

Serial Bonds and Notes. These are generally required to be payable in equal or diminishing annual principal amounts beginning no later than the end of the next fiscal year commencing after the date of issue and ending within the terms permitted by law. Level debt service is permitted for bonds or notes issued for certain purposes, including self-supporting enterprise purposes, certain state-aided school projects and certain

community preservation and open space projects, as well as for those projects for which debt service has been exempted from property tax limitations. The principal amounts of certain economic development bonds supported by tax increment financing may be payable in equal, diminishing or increasing amounts beginning within 5 years after the date of issue. The maximum terms of serial bonds and notes vary from one year to 40 years, depending on the purpose of the issue. Most of the purposes are capital projects. Bonds or notes may be made callable and redeemed prior to their maturity, and a redemption premium may be paid. Refunding bonds or notes may be issued subject to the maximum term measured from the date of the original bonds or notes.

Serial bonds may be issued as “qualified bonds” with the approval of the state Municipal Finance Oversight Board composed of the State Treasurer, the State Auditor, the Attorney General and the Director of Accounts, subject to such conditions and limitations (including restrictions on future indebtedness) as may be required by the Board. Qualified bonds may mature not less than 10 nor more than 30 years from their dates and are not subject to the amortization requirements described above. The State Treasurer is required to pay the debt service on qualified bonds and thereafter to withhold the amount of the debt service from state aid or other state payments; administrative costs and any loss of interest income to the State are to be assessed upon the city or town.

Bond Anticipation Notes. These generally must mature within two years of their original dates of issuance but may be refunded from time to time for a period not to exceed five years from their original dates of issuance, provided that for each year that the notes are refunded beyond the second year they must be paid in part from revenue funds in an amount at least equal to the minimum annual payment that would have been required if the bonds had been issued at the end of the second year. For certain school projects, however, notes may be refunded from time to time for a period not to exceed seven years without having to pay any portion of the principal of the notes from revenue funds. The maximum term of bonds issued to refund bond anticipation notes is measured (except for certain school projects) from the date of the original issue of the notes.

Revenue Anticipation Notes. These are issued to meet current expenses in anticipation of taxes and other revenues. They must mature within one year but, if payable in less than one year, may be refunded from time to time up to one year from the original date of issue.

Grant Anticipation Notes. These are issued for temporary financing in anticipation of federal grants and state and county reimbursements. Generally, they must mature within two years but may be refunded from time to time as long as the municipality remains entitled to the grant or reimbursement.

Revenue Bonds. Cities and towns may issue revenue bonds for solid waste disposal facilities, for projects financed under the Commonwealth’s Water Pollution Abatement or Drinking Water Revolving Loan Programs and for certain economic development projects supported by tax increment financing. In addition, cities and towns having electric departments may issue electric revenue bonds, and notes in anticipation of such bonds, subject to the approval of the State Department of Telecommunications and Energy. The Town does not have an electric department.

DEBT (1)

The following shows the direct debt outstanding as of June 25, 2008, including the Notes:

Long-Term Indebtedness (2)

Within the general debt limit:

Sewers & Drains	\$ 8,249,190	
Land Acquisition	695,000	
Schools	10,020,000	
Other Building	5,914,988	
Streets Sidewalks & Parking	55,000	
Departmental Equipment	280,020	
Architectural & Engineering Services	<u>277,656</u>	
Total Within the General Debt Limit		<u>\$25,491,854</u>

Outside the general debt limit:

Sewers	\$ 2,210,000	
Other Outside General	<u>419,564</u>	
Total Outside the General Debt Limit		<u>\$ 2,629,564</u>
Total Long-Term Indebtedness (3)		<u>\$28,121,418</u>

Temporary Loans in anticipation of:

Revenue	0	
Bonds	5,689,258	
Grants	<u>0</u>	
Total Temporary Loans		<u>\$ 5,689,258</u>
Total Direct Debt		<u>\$33,810,676</u>

(1) Principal amount only. Excludes lease and installment purchase obligations, overlapping debt and unfunded pension liability.

(2) At the present time the normal General Debt Limit is \$67,247,160 and the Double General Debt Limit is \$134,494,320.

(3) \$15,809,572 has been exempted from the provisions of Proposition 2 1/2.

Authorized Unissued Debt and Prospective Financing

The Town has the following authorized unissued debt:

	<u>Amount</u>	<u>Purpose</u>
Article 2, STM 2001	\$ 284,264	Sewer Construction
Article 4, ATM 2005	28,708	Sewer Construction
Article 13, ATM 2005	94,000	Sewer Construction
Article 5, STM 2002	125,000	Building Renovations
Article 4, ATM 2003	56,550	School Heating System
Article 3, STM 2005	200,000	Wastewater Management Plan
Article 16, ATM 2006	4,154,298	Water & Sewer Construction
Article 15, ATM 2006	450,000	Track & Field
Article 19, STM 2006	41,000	Wastewater Management
Article 8, ATM 2007	760,000	Departmental Equipment
Article 13, ATM 2007	75,000	Landfill Closure
Article 9, ATM 2008	<u>249,960</u>	Departmental Equipment
	<u>\$6,518,780</u>	

FIVE YEARS OUTSTANDING DEBT (1)

	As of June 30				
	2007	2006	2005	2004	2003
Within the General Debt Limit					
Sewers & Drains	\$ 7,881,677	\$ 8,277,284	\$ 9,055,648	\$ 9,459,849	\$ 2,820,093
Land Acquisition	800,000	910,000	1,020,000	1,190,000	1,365,000
Schools	10,550,000	11,065,000	11,569,000	10,230,000	10,615,000
Other Building	6,300,114	6,719,871	7,139,628	5,669,385	6,013,083
Streets Sidewalks & Parking	75,000	10,000	15,000	25,000	35,000
Departmental Equipment	376,560	123,469	175,378	247,287	323,255
Architectural & Engineering Services	305,771	298,387	315,582	332,441	348,993
Total Within the General Debt Limit	26,289,122	27,404,011	29,290,236	27,153,962	21,520,424
Outside the General Debt Limit					
Sewers	\$ 2,345,000	\$ 410,000	\$ 439,000	\$ 0	\$ 0
Other Outside General	493,770	407,976	472,182	536,388	600,594
Total Outside the General Debt Limit	2,838,770	817,976	911,182	536,388	600,594
Total Long-Term Indebtedness	\$29,127,892	\$28,221,987	\$30,201,418	\$27,690,350	\$22,121,018

(1) Principal amount only. Excludes lease and installment purchase obligations, overlapping debt and unfunded pension liability.

Bonded Debt vs. Population, Valuations and Income

	As of June 30				
	2007	2006	2005	2004	2003
Amount (1)	\$29,127,892	\$28,221,987	\$30,201,418	\$27,690,350	\$22,121,018
Per Capita (2)	\$2,909.88	\$2,819.38	\$3,012.91	\$2,774.58	\$2,232.42
Percent of Assessed Valuation (3)	2.27%	2.22%	2.74%	2.78%	2.39%
Percent of Equalized Valuation (4)	2.17%	2.62%	2.80%	3.38%	2.70%
Per Capita as a percent of					
Personal Income (2) per capita	10.78%	10.45%	11.16%	10.28%	8.27%

(1) Principal amount only. Excludes lease and installment purchase obligations, overlapping debt and unfunded pension liability.

(2) Source: U.S. Department of Commerce, Bureau of the Census - Latest applicable actuals or estimates.

(3) Source: Board of Assessors - Assessed valuation as of the prior January 1.

(4) Source: Massachusetts Department of Revenue - Equalized valuation in effect for that fiscal year (equalized valuations

are established for January 1 of each even-numbered year).

Annual Debt Service (1)

Fiscal Year	Outstanding as of 6/25/08		Total Debt Service	Cumulative
	Principal (2)	Interest (2)		% Principal Retired
2008	\$ 0	\$ 0	\$ 0	0.0%
2009	1,829,713	1,158,729	2,988,442	6.5
2010	1,838,172	1,079,730	2,917,902	13.0
2011	1,728,048	1,012,363	2,740,411	19.2
2012	1,670,831	950,269	2,621,100	25.1
2013	1,681,434	885,338	2,566,772	31.1
2014	1,717,211	794,230	2,511,441	37.2
2015	1,755,912	721,449	2,477,361	43.5
2016	1,790,629	644,222	2,434,851	49.8
2017	1,815,146	566,197	2,381,343	56.3
2018	1,848,399	483,175	2,331,574	62.9
2019	1,887,600	401,046	2,288,646	69.6
2020	1,920,636	322,880	2,243,516	76.4
2021	1,930,045	246,958	2,177,003	83.3
2022	1,830,230	170,292	2,000,522	89.8
2023	1,828,274	94,259	1,922,533	96.3
2024	772,683	18,065	790,748	99.0
2025	234,114	6,795	240,909	99.8
2026	14,114	0	14,114	99.9
2027	14,114	0	14,114	99.9
2028	14,114	0	14,114	100.0%
Total	\$28,121,418	\$9,555,997	\$37,677,415	

(1) Excludes revenue anticipation notes, grant anticipation notes, bond anticipation notes, lease and installment purchase obligations, overlapping debt and unfunded pension liability.

(2) Principal totaling \$15,809,572 and interest totaling \$5,367,523 has been exempted from the provisions of Proposition 2 1/2.

Revenue Anticipation Borrowing

The Town has not borrowed in anticipation of revenue in the last five fiscal years.

CONTRACTS

Municipal contracts are generally limited to currently available appropriations. A city or town generally has authority to enter into contracts for the exercise of any of its corporate powers for any period of time deemed to serve its best interests, but generally only when funds are available for the first fiscal year; obligations for succeeding fiscal years generally are expressly subject to availability and appropriation of funds. Municipalities have specific authority in relatively few cases to enter into long-term contractual obligations that are not subject to annual appropriation, including contracts for refuse disposal and sewage treatment and disposal. Municipalities may also enter into long-term contracts in aid of housing and renewal projects. There is implied authority to make other long-term contracts required to carry out authorized municipal functions, such as contracts to purchase water from private water companies.

Municipal contracts relating to solid waste disposal facilities may contain provisions requiring the delivery of minimum amounts of waste and payments based thereon and requiring payments in certain circumstances without regard to the operational status of the facilities.

Municipal electric departments have statutory power to enter into long-term contracts for joint ownership and operation of generating and transmission facilities and for the purchase or sale of capacity, including contracts requiring payments without regard to the operational status of the facilities. The Town does not have an electric department.

Pursuant to the Home Rule Amendment to the Massachusetts Constitution, cities and towns may also be empowered to make other contracts and leases.

The Town has a limited number of such contracts; one being for school bus transportation, extending through June 25, 2009 at an annual cost of \$500,676.

OVERLAPPING DEBT

The following table sets forth the portion of overlapping debt relating to the Town (1):

	Outstanding 6/30/2008	Authorized Unissued 6/30/2008	Assessment for Operations & Debt Service FY 2008
Montachusett Regional Vocational Technical School District (2)	\$10,570,000	\$0	\$638,471

(1) Principal amount only. Excludes temporary loans in anticipation of revenue. Omits debt of the Commonwealth.

(2) Source: Montachusett Regional Vocational Technical School District. Debt is as of June 25, 2008. Towns may organize regional school districts to carry out general or specialized educational functions. The operating expenses and debt service of regional school districts are apportioned among the member municipalities in accordance with the agreements establishing the districts. The other members of the District are the Towns of Ashby, Barre, Harvard, Hubbardston, Lunenburg, Royalston, Sterling and the Cities of Fitchburg and Gardner.

RETIREMENT PLAN

The Massachusetts General Laws provide for the establishment of contributory retirement systems for state employees, for teachers and for county, city and town employees other than teachers. Teachers are assigned to a separate statewide teachers' system and not to the city and town systems. For all employees other than teachers, this law is subject to acceptance in each city and town. Substantially all employees of an accepting city or town are covered. If a town has a population of less than 10,000 when it accepts the statute, its non-teacher employees participate through the county system and its share of the county cost is proportionate to the aggregate annual rate of regular compensation of its covered employees. In addition to the contributory systems, cities and towns provide non-contributory pensions to a limited number of employees, primarily persons who entered service prior to July 1, 1937 and their dependents. The Public Employee Retirement Administration Commission ("PERAC") provides oversight and guidance for and regulates all state and local retirement systems.

The obligations of a city or town, whether direct or through a county system, are contractual legal obligations and are required to be included in the annual tax levy. If a city or town, or the county system of which it is a member, has not established a retirement system funding schedule as described below, the city or town is required to provide for the payment of the portion of its current pension obligations which is not otherwise covered by employee contributions and investment income. "Excess earnings," or earnings on individual employees' retirement accounts in excess of a predetermined rate, are required to be set aside in a pension reserve fund for future, not current, pension liabilities. Cities and towns may voluntarily appropriate to their system's pension reserve fund in any given year up to five percent of the preceding year's tax levy. The aggregate amount in the fund may not exceed ten percent of the equalized valuation of the city or town.

If a city or town, or each member city and town of a county retirement system, has accepted the applicable law, it is required to annually appropriate an amount sufficient to pay not only its current pension obligations, but also a portion of its future pension liability. The portion of each such annual payment allocable to future pension obligations is required to be deposited in the pension reserve fund. The amount of the annual city or town appropriation for each such system is prescribed by a retirement system funding schedule which is

periodically reviewed and approved by PERAC. Each system's retirement funding schedule is designed to reduce the unfunded actuarial pension liability of the system to zero by not later than June 30, 2028, with annual increases in the scheduled payment amounts of not more than 4.5 percent. City, town and county systems which have an approved retirement funding schedule receive annual pension funding grants from the Commonwealth for the first 16 years of such funding schedule.

Under legislation enacted in 2003, cities and towns that accepted its provisions and that obtained certain state approvals therefor could, within limits, reduce the amount of their scheduled appropriations for fiscal year 2004 and fiscal year 2005 for the unfunded portion of their pension liability to offset recent reductions in state aid. Cities and towns that reduced such appropriations were required to revise their retirement system funding schedule for eliminating their unfunded pension liability and could extend such schedule by one year, provided that in no event may such funding schedule extend beyond June 30, 2028.

City, town and county systems may choose to participate in the Pension Reserves Investment Trust Fund (the "PRIT Fund"), which receives additional state funds to offset future pension costs of participating state and local systems. If a local system participates in the PRIT Fund, it must transfer ownership and control of all assets of its system to the Pension Reserves Investment Management Board, which manages the investment and reinvestment of the PRIT Fund. Cities and towns with systems participating in the PRIT Fund continue to be obligated to fund their pension obligations in the manner described above. The additional state appropriations to offset future pension liabilities of state and local systems participating in the PRIT Fund are required to total at least 1.3 percent of state payroll. Such additional state appropriations are deposited in the PRIT Fund and shared by all participating systems in proportion to their interests in the assets of the PRIT Fund as of July 1 for each fiscal year.

Cost-of-living increases for each local retirement system may be granted and funded only by the local system, and only if it has established a funding schedule. Those statutory provisions are subject to acceptance by the local retirement board and approval by the local legislative body, which acceptance may not be revoked.

The Town participates in the Worcester Regional Retirement System. The annual contributions to the retirement system for the most recent years are set forth below:

Fiscal Year	Total
2009 (projected)	\$493,121
2008	438,971
2007	435,584
2006	442,008
2005	369,912

The foregoing data do not include the retirement system costs or liabilities attributable to employees of the county or the retirement system costs or liabilities of any other entity of which the Town is a constituent part.

As of January 1, 2004, the unfunded actuarial accrued liability of the Worcester Regional Retirement System was calculated at \$201,893,649. (Source: Actuarial Valuation of the Worcester Regional Retirement System, January 1, 2004)

(1) Source: Commonwealth of Massachusetts Retirement Law Commission report.

Other Post-Employment Benefits. In addition to pension benefits, cities and towns may provide retired employees with health care and life insurance benefits. The portion of the cost of such benefits paid by cities or towns is generally provided on a pay-as-you-go basis.

The pay-as-you-go cost to the Town for such benefits in recent years are as follows:

<u>Fiscal Year</u>	<u>Total</u>
2009 (projected)	\$1,045,030
2008	978,578
2007	945,413
2006	682,474
2005	642,236

The Governmental Accounting Standards Board (“GASB”) recently promulgated its Statement Nos. 43 and 45, which will for the first time require public sector entities to report the future costs of these non-pension, post-employment benefits in their financial statements. These new accounting standards do not require pre-funding such benefits, but the basis applied by the standards for measurement of costs and liabilities for these benefits is conservative if they continue to be funded on a pay-as-you-go basis and will result in larger yearly cost and liability accruals than if such benefits were pre-funded in a trust fund in the same manner as traditional pension benefits. Although cities and towns that choose to self-insure all or a portion of the cost of the health care benefits they provide to employees and retirees may establish a trust fund for the purpose of paying claims, Massachusetts General Laws do not currently provide cities and towns with general legal authority to establish a trust fund for the purpose of pre-funding this liability in the same manner as traditional pension benefits.

The Town is required to implement the new GASB reporting requirements for other post-employment benefits beginning in fiscal year 2009. The Town has not yet performed an actuarial valuation of its non-pension, post-employment benefit liability. It has appropriated the necessary funds and expects to complete the valuation in time to satisfy the new GASB reporting requirements.

PROPERTY TAXATION

Tax Rate and Valuation-General. Property is classified for the purpose of taxation according to its use. The legislature has in substance created three classes of taxable property: (1) residential real property, (2) open space land, and (3) all other (commercial, industrial and personal property). Within limits, cities and towns are given the option of determining the share of the annual levy to be borne by each of the three categories. Until fiscal year 2004, the share required to be borne by residential real property was at least 50 per cent of its share of the total taxable valuation; under legislation enacted in the beginning of 2004, however, cities and towns were authorized to reduce the required share to be borne by residential real property to at least 45 per cent of its share of the total taxable valuation in fiscal year 2004, 47 per cent in fiscal year 2005, 49 per cent in fiscal year 2006 and 50 per cent thereafter. The effective rate for open space must be at least 75 per cent of the effective rate for residential real property. Until fiscal year 2004, the share of commercial, industrial and personal property was limited to not more than 175 per cent of their share of the total valuation; under legislation enacted in the beginning of 2004, however, cities and towns were authorized to increase the limit on the share of the total taxable valuation of such property to not more than 200 per cent in fiscal year 2004, 197 per cent in fiscal year 2005, 190 per cent in fiscal year 2006, 183 percent in fiscal year 2007, 175 per cent in fiscal year 2008, and, if the share of such property in a particular city or town exceeded 175 per cent in any of fiscal years 2004 through 2007, 170 per cent in fiscal years 2009 and thereafter. A city or town may also exempt up to 20 per cent of the valuation of residential real property (where used as the taxpayer’s principal residence) and up to 10 percent of the valuation of commercial real property (where occupied by certain small businesses). Property may not be classified in a city or town until the State

Commissioner of Revenue certifies that all property in the city or town has been assessed at its fair cash value. Such certification must take place every three years.

Related statutes provide that certain forest land, agricultural or horticultural land (assessed at the value it has for these purposes) and recreational land (assessed on the basis of its use at a maximum of 25 percent of its fair cash value) are all to be taxed at the rate applicable to commercial property. Land classified as forest land is valued for this purpose at five percent of fair cash value but not less than ten dollars per acre.

In order to determine appropriate relative values for the purposes of certain distributions to and assessments upon cities and towns, the Commissioner of Revenue biennially makes his own redetermination of the fair cash value of the taxable property in each municipality. This is known as the "equalized value". (See Debt Limits above.)

VALUATIONS

The following shows the assessed and equalized valuations for the current and most recent fiscal years:

	For Fiscal Year				
	2008	2007	2006	2005	2004
Real Property(2)	\$1,303,419,400	\$1,268,222,700	\$1,253,423,300	\$1,088,154,400	\$979,839,900
Personal Property(2)	19,252,440	17,725,200	17,031,900	15,868,000	16,455,400
Total	\$1,322,671,840	\$1,285,947,900	\$1,270,455,200	\$1,104,022,400	\$996,295,300
Equalized Value(3)	\$1,344,943,200	\$1,344,943,200	\$1,077,373,000	\$1,077,373,000	\$818,512,300
Percent of Total Assessed to Equalized Valuation	98.3%	95.6%	117.9%	102.5%	121.7%

(1) Source: Massachusetts Department of Revenue.

Classification of Property

The following table shows the breakdown of the total assessed valuation for fiscal years 2008 through 2006 by classification:

Type of Property	Fiscal 2008 Assessed Valuation	% of Total Assessed Valuation	Fiscal 2007 Assessed Valuation	% of Total Assessed Valuation	Fiscal 2006 Assessed Valuation	% of Total Assessed Valuation
Residential	\$1,217,975,700	92.1%	\$1,186,935,300	92.3%	\$1,172,156,400	92.3%
Open Space	\$0	0.0	\$32,700	0.0	\$0	0.0
Commercial	\$64,418,400	4.9	62,230,700	4.8	62,162,500	4.9
Industrial	\$21,025,300	1.6	19,024,000	1.5	19,104,400	1.5
Personal	\$19,252,440	1.5	17,725,200	1.4	17,031,900	1.3
Total	\$1,322,671,840	100.0%	\$1,285,947,900	100.0%	\$1,270,455,200	100.0%

Tax Rates

The following shows the actual tax rates per \$1,000 of assessed valuation, the average tax rate and the estimated full value rate based on the equalized valuations for the current and most recent fiscal years:

<u>Fiscal Year</u>	<u>Actual Tax Rate</u>	<u>Estimated Full Value Tax Rate</u>
2008	\$12.23	\$12.03
2007	12.13	11.60
2006	12.41	14.63
2005	13.34	13.67
2004	14.20	17.28

Largest Taxpayers (1)

The following is a list of the ten largest taxpayers for fiscal 2008 (1):

<u>Name</u>	<u>Nature of Business</u>	<u>Fiscal 2008 Assessed Valuation</u>	<u>Amount of Tax</u>	<u>% of Total Levy</u>
Keating Trust	Sand & Gravel Quarry	\$11,381,100	\$139,190.85	0.86%
Galileo CMBS T1 IG LLC	Shopping Center	\$10,974,700	\$134,220.58	0.83%
Callahan Finance, LLC	Developable Land – Former Whalom Amusement Park	\$3,161,100	\$38,660.25	0.24%
A & D Crossroads	Shopping Center	\$2,661,400	\$32,548.92	0.20%
Howard J. Hall & Richard Harvey	Industrial	\$2,533,800	\$30,988.37	0.19%
140 Lburg, LLC	Industrial	\$2,450,200	\$29,965.95	0.19%
Lunenburg Village Realty	Retail and Office	\$2,030,400	\$24,831.79	0.15%
Leverone, Robert	Commercial Vacant Land	\$1,909,700	\$23,355.63	0.14%
Bovenzi, Leslie Trustee	Residence and Vacant Land Parcels	\$1,477,800	\$18,073.49	0.11%
Twin City Baptist Temple	Residential Developable Lane	\$1,359,900	\$16,631.58	0.10%
		<u>\$39,940,100</u>	<u>\$488,467.42</u>	<u>3.02%</u>

(1) All of the largest taxpayers are current in their real estate and personal property tax payments.

TAX LEVIES

Levy - General. The principal tax of Massachusetts cities and towns is the tax on real and personal property. The amount to be levied in each year is the amount appropriated or required by law to be raised for municipal expenditures less estimated receipts from other sources and less appropriations voted from funds on hand. The total amount levied is subject to certain limits prescribed by law; for a description of those limits see “Tax Limitations” below. As to the inclusion of debt service and final judgments, see “Security and Remedies” above.

The estimated receipts for a fiscal year from sources other than the property tax may not exceed the actual receipts during the preceding fiscal year from the same sources unless approved by the State Commissioner of Revenue. Excepting special funds the use of which is otherwise provided for by law, the deduction for appropriations voted from funds on hand for a fiscal year cannot exceed the "free cash" as of the beginning of

the prior fiscal year as certified by the State Director of Accounts plus up to nine months' collections and receipts on account of earlier years' taxes after that date. Subject to certain adjustments, free cash is surplus revenue less uncollected overdue property taxes from earlier years.

Although an allowance is made in the tax levy for abatements (see Abatements and Overlay below) no reserve is generally provided for uncollectible real property taxes. Since some of the levy is inevitably not collected, this creates a cash deficiency which may or may not be offset by other items (see Taxation to Meet Deficits below).

Taxation to Meet Deficits. As noted elsewhere (see Abatements and Overlay below) overlay deficits, i.e. tax abatements in excess of the overlay included in the tax levy to cover abatements, are required to be added to the next tax levy. It is generally understood that revenue deficits, i.e. those resulting from non-property tax revenues being less than anticipated, are also required to be added to the tax levy (at least to the extent not covered by surplus revenue).

Amounts lawfully expended since the prior tax levy and not included therein are also required to be included in the annual tax levy. The circumstances under which this can arise are limited since municipal departments are generally prohibited from incurring liabilities in excess of appropriations except for major disasters, mandated items, contracts in aid of housing and renewal projects and other long-term contracts. In addition, utilities must be paid at established rates and certain established salaries, e.g. civil service, must legally be paid for work actually performed, whether or not covered by appropriations.

In the opinion of Bond Counsel, cities and towns are authorized to appropriate sums, and thus to levy taxes, to cover deficits arising from other causes, such as "free cash" deficits arising from a failure to collect taxes. This is not generally understood, however, and it has not been the practice to levy taxes to cover free cash deficits. Except to the extent that such deficits have been reduced or eliminated by subsequent collections of uncollected taxes (including sales of tax titles and tax possessions), lapsed appropriations, non-property tax revenues in excess of estimates, other miscellaneous items or funding loans authorized by special act, they remain in existence.

Tax Limitations. Chapter 59, Section 21C of the General Laws, known as "Proposition 2 1/2", imposes two separate limits on the annual tax levy of a city or town.

The primary limitation is that the tax levy cannot exceed 2 1/2 percent of the full and fair cash value. If a city or town exceeds the primary limitation, it must reduce its tax levy by at least 15 percent annually until it is in compliance, provided that the reduction can be reduced in any year to not less than 7 1/2 percent by majority vote of the voters, or to less than 7 1/2 percent by two-thirds vote of the voters.

For cities and towns at or below the primary limit, a secondary limitation is that the tax levy cannot exceed the maximum levy limit for the preceding fiscal year as determined by the State Commissioner of Revenue by more than 2 1/2 percent, subject to exceptions for property added to the tax rolls or property which has had an increase, other than as part of a general revaluation, in its assessed valuation over the prior year's valuation.

This "growth" limit on the tax levy may be exceeded in any year by a majority vote of the voters, but an increase in the secondary or growth limit under this procedure does not permit a tax levy in excess of the primary limitation, since the two limitations apply independently. In addition, if the voters vote to approve taxes in excess of the "growth" limit for the purpose of funding a stabilization fund, such increased amount may only be taken into account for purposes of calculating the maximum levy limit in each subsequent year if the board of selectmen of a town or the city council of a city votes by a two-thirds vote to appropriate such increased amount in such subsequent year to the stabilization fund.

The applicable tax limits may also be reduced in any year by a majority vote of the voters.

The State Commissioner of Revenue may adjust any tax limit "to counterbalance the effects of extraordinary, non-recurring events which occurred during the base year".

The statute further provides that the voters may exclude from the taxes subject to the tax limits and from the calculation of the maximum tax levy (a) the amount required to pay debt service on bonds and notes issued before November 4, 1980, if the exclusion is approved by a majority vote of the voters, and (b) the amount required to pay debt service on any specific subsequent issue for which similar approval is obtained. Even with voter approval, the holders of the obligations for which unlimited taxes may be assessed do not have a statutory priority or security interest in the portion of the tax levy attributable to such obligations. It should be noted that Massachusetts General Laws Chapter 44, Section 20 requires that the taxes excluded from the levy limit to pay debt service on any such bonds and notes be calculated based on the true interest cost of the issue. Accordingly, the Department of Revenue limits the amount of taxes which may be levied in each year to pay debt service on any such bonds and notes to the amount of such debt service, less a pro rata portion of any original issue premium received by the city or town that was not applied to pay costs of issuance.

Voters may also exclude from the Proposition 2 1/2 limits the amount required to pay specified capital outlay expenditures. In addition, the city council of a city, with the approval of the mayor if required, or the board of selectmen or the town council of a town may vote to exclude from the Proposition 2 1/2 limits taxes raised in lieu of sewer or water charges to pay debt service on bonds or notes issued by the municipality (or by an independent authority, commission or district) for water or sewer purposes, provided that the municipality's sewer or water charges are reduced accordingly.

In addition, Proposition 2 1/2 limits the annual increase in the total assessments on cities and towns by any county, district, authority, the Commonwealth or any other governmental entity (except regional school districts, the MWRA and certain districts for which special legislation provides otherwise) to the sum of (a) 2 1/2 percent of the prior year's assessments and (b) "any increases in costs, charges or fees for services customarily provided locally or for services subscribed to at local option". Regional water districts, regional sewerage districts and regional veterans districts may exceed these limitations under statutory procedures requiring a two-thirds vote of the district's governing body and either approval of the local appropriating authorities (by two-thirds vote in districts with more than two members or by majority vote in two-member districts) or approval of the registered voters in a local election (in the case of two-member districts). Under Proposition 2 1/2 any State law to take effect on or after January 1, 1981 imposing a direct service or cost obligation on a city or town will become effective only if accepted or voluntarily funded by the city or town or if State funding is provided. Similarly, State rules or regulations imposing additional costs on a city or town or laws granting or increasing local tax exemptions are to take effect only if adequate State appropriations are provided. These statutory provisions do not apply to costs resulting from judicial decisions.

Initiative Petitions. Various other proposals have been made in recent years for legislative amendments to the Massachusetts Constitution to impose limits on state and local taxes. To be adopted such amendments must be approved by two successive legislatures and then by the voters at a state election.

Pledged Taxes. Taxes on the increased value of certain property in designated development districts may be pledged for the payment of costs of economic development projects within such districts and may therefore be unavailable for other municipal purposes. (See "Tax Increment Financing for Development Districts" below.)

CALCULATION OF TAX LEVIES AND LEVY LIMITS

The following table shows the details of the calculation of the tax levies for the current and most recent fiscal years:

	For Fiscal Year				
	2008	2007	2006	2005	2004
Gross Amount to be Raised:					
Appropriations	\$26,646,997	\$25,065,006	\$24,373,994	\$21,190,933	\$21,651,110
Other Local Expenditures	1,021,396	1,060,221	978,451	902,242	999,699
State & County Charges	682,354	821,305	691,105	775,017	134,839
Overlay Reserve	129,270	95,753	97,981	134,938	88,089
Total Gross Amount to be Raised	\$28,480,017	\$27,042,285	\$26,141,531	\$23,003,130	\$22,873,737
Less Estimated Receipts & Other Revenue:					
Estimated Receipts from State	\$7,124,506	\$6,717,719	\$5,370,530	\$5,233,166	\$5,068,502
Estimated Receipts - Local	\$4,008,148	3,525,460	3,329,432	2,857,246	3,006,695
Available Funds Appropriated:					
Free Cash	791,764	1,046,024	1,133,125	0	113,739
Other Available Funds	325,000	82,104	451,556	76,412	410,653
Free Cash & Other Revenue Used to Reduce the Tax Rate	54,323	72,431	90,539	108,647	126,755
Total Estimated Receipts & Revenue	\$12,303,741	\$11,443,738	\$10,375,182	\$8,275,471	\$8,726,344
Net Amount to be Raised (Tax Levy)	\$16,176,276	\$15,598,547	\$15,766,349	\$14,727,659	\$14,147,393

The following shows the calculation of levy limits for the current and most recent fiscal years:

	For Fiscal Year				
	2008	2007	2006	2005	2004
Primary Levy Limit (2)	\$33,066,796	\$32,148,698	\$31,761,380	\$27,600,560	\$24,907,383
Prior Fiscal Year Levy Limit	14,787,169	14,138,629	13,476,239	12,705,882	12,062,534
2.5% Levy Growth	369,679	353,466	336,906	317,647	301,563
New Growth (3)	211,735	295,074	325,484	452,710	341,785
Overrides	0	0	0	0	0
Growth Levy Limit	15,368,583	14,787,169	14,138,629	13,476,239	12,705,882
Debt Exclusions	808,948	814,209	1,631,225	1,473,527	1,447,712
Tax Levy Limit	16,177,531	15,601,378	15,769,854	14,949,766	14,153,594
Tax Levy	16,176,277	15,598,548	15,766,349	14,727,659	14,147,393
Unused Levy Capacity (4)	1,254	2,830	3,505	222,107	6,201
Unused Primary Levy Capacity (5)	\$17,698,213	\$17,361,529	\$17,622,751	\$14,124,321	\$12,201,501

(1) 2.5% of assessed valuation

(2) Allowed increase for new valuations - certified by the Department of Revenue

(3) Tax Levy Limit less Tax Levy.

(4) Primary Levy limit less Growth Levy Limit.

(5) Recalculated due to certification of retroactive growth.

TAX COLLECTIONS & ABATEMENTS

Payment Dates. The taxes for each fiscal year are due in two installments on November 1 (subject to deferral if tax bills are sent out late) and May 1, unless the city or town accepts a statute providing for quarterly tax payments. Under that statute, preliminary tax payments are due on August 1 and November 1 with payment of the actual tax bill (after credit is given for the preliminary payments) in installments on February 1 and May 1 if actual tax bills are mailed by December 31. Interest accrues on delinquent taxes at the rate of 14 per cent per annum. The Town has voted to implement quarterly tax billing.

Lien. Real property (land and buildings) is subject to a lien for the taxes assessed upon it, subject to any paramount federal lien and subject to bankruptcy and insolvency laws. (In addition, real property is subject to a lien for certain unpaid municipal charges or fees.) If the property has been transferred, an unenforced lien expires on the fourth December 31 after the end of the fiscal year to which the tax relates. If the property has not been transferred by the fourth December 31, an unenforced lien expires upon a later transfer of the property. Provision is made, however, for continuation of the lien where it could not be enforced because of a legal impediment.

Personal Liability. The persons against whom real or personal property taxes are assessed are personally liable for the tax (subject to bankruptcy and insolvency laws.) In the case of real property, this personal liability is effectively extinguished by sale or taking of the property as described below.

The following shows the total tax levy, the reserve for abatements, the net levy and the amounts collected during each fiscal year and as of a more recent date for the current and most recent fiscal years:

	For Fiscal Year				
	2008 (3)	2007	2006	2005	2004
Total Tax Levy	\$16,176,277	\$15,598,548	\$15,766,349	\$14,727,659	\$14,147,393
Overlay Reserve for Abatements	129,270	95,753	97,981	134,938	88,089
Net Tax Levy(1)	\$16,047,006	\$15,502,795	\$15,668,368	\$14,592,721	\$14,059,304
Amount Collected					
During Fiscal Year Payable(2)	N/A	\$15,465,635	\$15,554,732	\$14,474,330	\$13,689,606
Percent of Net Tax Levy	N/A	99.76%	99.3%	99.2%	97.4%

(1) Net after deduction of overlay reserve for abatements.

(2) Actual collections of levy less refunds and amounts refundable but including proceeds of tax titles and tax possessions attributed to such levy but not including abatements or other credits.

(3) The amount collected through May 15, 2008 for Fiscal year 2008 is \$15,586,688 or 97.1% of the net tax levy.

Abatements and Overlay. A city or town is authorized to increase each tax levy by an amount approved by the State Commissioner of Revenue as an "overlay" to provide for tax abatements. If abatements are granted in excess of the applicable overlay, the excess is required to be added to the next tax levy.

Abatements are granted where exempt real or personal property has been assessed or where taxable real or personal property has been overvalued or disproportionately valued. The assessors may also abate uncollectible personal property taxes. They may abate real and personal property taxes on broad grounds (including inability to pay) with the approval of the State Commissioner of Revenue. But uncollected real property taxes are ordinarily not written off until they become municipal "tax titles" by purchase at the public sale or by taking, at which time the tax is written off in full by reserving the amount of the tax and charging surplus.

The following shows the abatements granted during the fiscal year for the current and most recent fiscal years:

	For Fiscal Year				
	2008	2007	2006	2005	2004
Tax Levy(1)	\$16,176,277	\$15,598,548	\$15,766,349	\$14,727,659	\$14,147,393
Overlay Reserve for Abatements(1)	129,270	95,753	97,981	134,938	88,089
Percent of Tax Levy	0.8%	0.6%	0.6%	0.9%	0.6%
Abatements Granted:					
During Fiscal Year of Levy	N/A	\$120,927	\$76,369	\$92,283	\$86,579

Taking and Sale. Massachusetts law permits a municipality either to sell by public sale (at which the municipality may become the purchaser) or to take real property for nonpayment of taxes. In either case the property owner can redeem the property by paying the unpaid taxes, with interest and other charges, but if the right of redemption is not exercised within six months (which may be extended an additional year in the case of certain installment payments), it can be foreclosed by petition to the Land Court. Upon foreclosure, a tax title purchased or taken by the municipality becomes a "tax possession" and may be held and disposed of in the same manner as other land held for municipal purposes.

Sale of Tax Receivables. Cities and towns are authorized to sell delinquent property tax receivables by public sale or auction, either individually or in bulk.

Taxes Outstanding

The following shows taxes outstanding at the end of each of the last five fiscal years:

	For Fiscal Year				
	2007	2006	2005	2004	2003
Tax Titles and Possessions	\$60,281	\$169,430	\$332,215	\$523,864	\$487,265

(1) Excludes tax titles, tax possessions and abated taxes. Includes taxes in litigation, if any.

TOWN FINANCES

Budget and Appropriation Process

The annual appropriations of a town are ordinarily made at the annual meeting which takes place in February, March, April or May. Appropriations may also be voted at special meetings. Every town must have an appropriation, advisory or finance committee. The committee (or the board of selectmen if authorized by by-laws) is required to submit a budget of proposed expenditures at the annual town meeting.

Under certain circumstances and subject to certain limits and requirements, the city council of a city, upon the recommendation of the mayor, may transfer amounts appropriated for the use of one department (except for a municipal light department or a school department) to another appropriation for the same department or for the use of any other department. In a town, town meeting may at any time vote to transfer any amount previously appropriated to any other authorized use by law, and, under certain circumstances and subject to certain limits and requirements, the selectmen of a town, with the concurrence of the finance committee, may transfer amounts appropriated for the use of any department to any other appropriation for the same department or to any other department.

Water and sewer department expenditures are generally included in the budgets adopted by town meetings but electric and gas department funds may be appropriated by the municipal light boards. Under certain legislation any city or town which accepts the legislation may provide that the appropriation for the operating costs of any department may be offset, in whole or in part, by estimated receipts from fees charged for services provided by the department. It is assumed that this general provision does not alter the pre-existing power of an electric or gas department to appropriate its own receipts.

The school budget is limited to the total amount appropriated by the town meeting, but the school committee retains full power to allocate the funds appropriated. State legislation known as the Education Reform Act of 1993, as amended, imposes certain minimum expenditure requirements on municipalities with respect to funding for education. The requirements are determined on the basis of formulas affected by various measures of wealth and income, enrollments, prior levels of local spending and state aid, and other factors. From fiscal 1994 to the present, the Town's net school spending has exceeded the minimum required local contribution.

State and county assessments, abatements in excess of overlays, principal and interest not otherwise provided for and final judgments are included in the tax levy whether or not included in the budget. Revenues are not required to be set forth in the budget but estimated non-tax revenues are taken into account by the assessors in fixing the tax levy. (See Property Taxation and Valuation above.)

Budget Comparison

The following table sets forth the budgets for fiscal years 2005-2009:

Department	For Fiscal Year				
	2009	2008	2007	2006	2004
General Government	\$3,493,101	\$3,504,785	\$3,307,215	\$3,021,504	\$2,590,131
Public Safety	2,293,638	2,150,667	1,936,592	1,821,828	1,495,521
Human Services	194,751	156,661	147,111	141,806	125,090
Education	15,318,628	14,843,711	14,223,184	13,547,000	12,785,343
Public Works	1,203,937	1,123,101	1,175,909	1,110,293	1,152,327
Debt Service	2,673,404	2,661,405	2,421,862	2,450,707	2,115,632
Library	329,867	299,767	263,108	243,822	188,122
Total	<u>\$25,507,326</u>	<u>\$24,740,097</u>	<u>\$23,474,981</u>	<u>\$22,336,960</u>	<u>\$20,452,166</u>

STATE AID

In addition to grants for specified capital purposes (some of which are payable over the life of the bonds issued for the projects), the Commonwealth provides financial assistance to cities and towns for current purposes. Payments to cities and towns are derived primarily from a percentage of the State's personal income, sales and use, and corporate excise tax receipts, together with the net receipts from the State Lottery. A municipality's state aid entitlement is based on a number of different formulas, of which the "schools" and "lottery" formulas are the most important. Both of the major formulas tend to provide more state aid to poorer communities. The formulas for determining a municipality's state aid entitlement are subject to amendment by the state legislature and, while a formula might indicate that a particular amount of state aid is owed, the amount of state aid actually paid is limited to the amount appropriated by the state legislature. The state annually estimates state aid, but the actual state aid payments may vary from the estimate.

In the fall of 1986, both the State Legislature (by statute, repealed as of July 1, 1999) and the voters (by initiative petition) placed limits on the growth of state tax revenues. Although somewhat different in detail, each measure essentially limited the annual growth in state tax revenues to an average rate of growth in wages and salaries in the Commonwealth over the three previous calendar years. If not amended, the remaining law could restrict the amount of state revenues available for state aid to local communities.

Legislation was enacted in 1991 to help municipalities compensate for additional local aid reductions by the Commonwealth for fiscal year 1992. Under that law, municipalities were allowed to defer budgeting for teacher's summer compensation payable by the end of the fiscal years 1992 and 1993. Municipalities that chose to defer such amounts are required to amortize the resulting budget deficiency by raising at least one fifteenth of the deferred amount in each of the fiscal years 1997 through 2011, or in accordance with a more rapid amortization schedule. ***The Town did not adopt this legislation.***

The following table sets forth the amount of State aid to the Town in recent years and an estimated amount for fiscal year 2008:

Fiscal Year	Total From State Government
2008 (projected)	\$6,296,172
2007	5,913,294
2006	5,370,530
2005	5,233,166
2004	5,068,502

State School Building Assistance Program

Under its school building assistance program, The Commonwealth of Massachusetts provides grants to cities, towns and regional school districts for school construction projects. Until July 26, 2004, the State Board of Education was responsible for approving grants for school projects and otherwise administering the program. Grant amounts ranged from 50% to 90% of approved project costs. Municipalities generally issued bonds to finance the entire project cost, and the Commonwealth disbursed the grants in equal annual installments over the term of the related bonds. Approved project costs included the interest expense incurred on debt issued by a municipality to finance the school project. In recent years, demand for school building assistance grants far exceeded available funds. As of July 1, 2004, a total of 425 projects for which completed grant applications had been submitted were still on the Department of Education's project priority list awaiting approval of a grant.

Pursuant to legislation which became effective on July 26, 2004, the state legislature created the Massachusetts School Building Authority (the "Authority") to finance and administer the school building assistance program. The Authority has assumed all powers and obligations of the Board of Education with respect to the program. In addition to certain other amounts, the legislation dedicates a portion of Commonwealth sales tax receipts to the Authority to finance the program.

Projects previously approved for grants by the State Board of Education are entitled to receive grant payments from the Authority based on the approved project cost and reimbursement rate applicable under the prior law. The Authority has paid and is expected to continue to pay the remaining amounts of the grants for such projects in annual installments to reimburse debt service on bonds issued by the municipalities to finance such projects.

Projects on the priority waiting list as of July 1, 2004 are also entitled to receive grant payments from the Authority based on the eligible project costs and reimbursement rates applicable under the prior law. With limited exceptions, the Authority is required to fund the grants for such projects in the order in which they appear on the waiting list. The Authority expects to pay grants for all of the projects on the priority waiting list by the end of fiscal year 2008. Grants for any such projects that have been completed or substantially completed have been paid and are expected to continue to be paid by the Authority in lump sum payments, thereby eliminating the need for the Authority to reimburse interest expenses that would otherwise be incurred by the municipalities to permanently finance the Authority's share of such project costs. Interest on debt issued by municipalities prior to July 1, 2004 to finance such project costs, and interest on temporary debt until receipt of the grant, is included in the approved costs of such projects. Grants for any such projects that have not yet commenced or that are underway have been and are expected to continue to be paid by the Authority as project costs are incurred by the municipality pursuant to a project funding agreement between the Authority and the municipality. In most cases, the receipt of these progress payments from the Authority eliminates the need for the municipality to borrow even on a temporary basis to finance the Authority's share of the project costs.

Grant applications for new projects may not be submitted to the Authority until July 1, 2007. The range of reimbursement rates for such projects has been reduced to between 40% and 80% of approved project costs. The Authority recently promulgated new regulations with respect to the application and approval process for new projects. The Authority expects to pay grants for such projects as project costs are incurred pursuant to project funding agreements between the Authority and the municipalities. None of the interest expense incurred on debt issued by municipalities to finance their portion of the costs of new projects will be included in the approved project costs eligible for reimbursement.

MOTOR VEHICLE EXCISE

An excise is imposed on the registration of motor vehicles (subject to exemptions) at the rate of \$25 per \$1,000 of valuation. The excise is collected by and for the benefit of the municipality in which the motor vehicle is customarily kept. Valuations are determined by a statutory formula based on manufacturer's list price and year of manufacture. Bills not paid when due bear interest at 12 percent per annum. Provision is also made, after notice to the owner, for suspension of the owner's operating license or registration by the registrar of motor vehicles.

The following table shows the actual motor vehicle receipts in each of the most recent fiscal years:

<u>Fiscal Year</u>	<u>Receipts</u>
2008 (projected)	\$1,330,000
2007	1,332,505
2006	1,165,973
2005	1,250,938
2004	1,209,513

(1) Net after refunds. Includes receipts for prior years.

UNDESIGNATED GENERAL FUND BALANCE AND FREE CASH

Under Massachusetts law an amount known as "free cash" is certified as of the beginning of each fiscal year by the State Bureau of Accounts and this, together with certain subsequent tax receipts, is used as the basis for subsequent appropriations from available funds, which are not required to be included in the annual tax levy. Subject to certain adjustments, free cash is surplus revenue less uncollected and overdue property taxes from prior years. The Town Accountant may certify as available for appropriation an adjusted free cash figure by adding back those uncollected and overdue property taxes which are subsequently collected between July 1 and the following March 31 of any year.

The following table sets forth the undesignated fund balance and certified free cash for the most recent fiscal years:

<u>July 1,</u>	<u>Undesignated Fund Balance</u>	<u>Free Cash</u>
2007 (unaudited)	\$2,217,091	\$ 856,875
2006	2,782,098	1,387,662
2005	757,832	NA
2004	1,501,744	1,133,125
2003	778,392	25,240

STABILIZATION FUND

The Town has maintained a Stabilization Fund for several years. Under Massachusetts statutes funds may be appropriated from the Fund for any municipal purpose by a two thirds vote of the town meeting.

The Town had a balance of \$1,426,968 in the fund as of June 30, 2007 and \$890,473 as of June 30, 2006.

COMMUNITY PRESERVATION ACT

The Massachusetts Community Preservation Act (the "CPA") permits cities and towns that accept its provisions to levy a surcharge on its real property tax levy and to receive state matching funds for the acquisition, creation, preservation, rehabilitation and restoration of open space, historic resources and affordable housing. The provisions of the CPA must be accepted by the voters of the city or town at an election after such provisions have first been accepted by either a vote of the legislative body of the city or town or an initiative petition signed by 5% of its registered voters.

A city or town may approve a surcharge of up to 3% of the real property tax levy, and it may accept one or more exemptions to the surcharge under the CPA, including an exemption for low-income individuals and families and for low and moderate-income senior citizens, an exemption for \$100,000 of the value of each taxable parcel of residential real property, and an exemption for commercial and industrial properties in cities and towns with classified tax rates. The surcharge is not counted in the total taxes assessed for the purpose of determining the permitted levy amount under Proposition 2½ (see "Tax Limitations" under "Property Tax" above). A city or town may revoke its acceptance of the provisions of the CPA at any time after 5 years from the date of such acceptance and may change the amount of the surcharge or the exemptions to the surcharge at any time, provided that any such revocation or change must be approved pursuant to the same process as acceptance of the CPA.

Any city or town that accepts the provisions of the CPA will receive annual state matching grants to supplement amounts raised by its surcharge on the real property tax levy. The state matching funds are raised from certain recording and filing fees of the registers of deeds. Those amounts are deposited into a state trust fund and are

distributed to cities and towns that have accepted the provisions of the CPA, which distributions are not subject to annual appropriation by the state legislature. The amount distributed to each city and town is based on a statutory formula which requires that 80% of the amount in the state trust fund be used to match an equal percentage of the amount raised locally by each city and town, and that the remaining 20% of the amount in the fund be distributed only to those cities and towns that levy the maximum 3% surcharge based on a formula which takes into account equalized property valuation and population, resulting in larger distributions to those communities with low valuations and small populations. The total state distribution made to any city or town may not, however, exceed 100% of the amount raised locally by the surcharge on the real property tax levy.

The amounts raised by the surcharge on real property taxes and received in state matching funds are required to be deposited in a dedicated community preservation fund. Each city or town that accepts the provisions of the CPA is required to establish a community preservation committee to study the community preservation needs of the community and to make recommendations to the legislative body of the city or town regarding the community preservation projects that should be funded from the community preservation fund. Upon the recommendations of the committee, the legislative body of the city or town may appropriate amounts from the fund for permitted community preservation purposes or may reserve amounts for spending in future fiscal years, provided that at least 10% of the total annual revenues to the fund must be spent or set aside for open space purposes, 10% for historic resource purposes and 10% for affordable housing purposes.

The CPA authorizes cities and towns that accept its provisions to issue bonds and notes in anticipation of the receipt of surcharge revenues to finance community preservation projects approved under the provisions of the CPA. Bonds and notes issued under the CPA are general obligations of the city or town and are payable from amounts on deposit in the community preservation fund. In the event that a city or town revokes its acceptance of the provisions of the CPA, the surcharge shall remain in effect until all contractual obligations incurred by the city or town prior to such revocation, including the payment of bonds or notes issued under the CPA, have been fully discharged.

The Town has not accepted the provisions of the CPA.

INVESTMENTS

Investments of funds of cities and towns, except for trust funds, are generally restricted by Massachusetts General Laws Chapter 44, Section 55. That statute permits investments of available revenue funds and bond and note proceeds in term deposits and certificates of deposits of banks and trust companies, in obligations issued or unconditionally guaranteed by the federal government or an agency thereof with a maturity of not more than one year, in repurchase agreements with a maturity of not more than 90 days secured by federal or federal agency securities, in participation units in the Massachusetts Municipal Depository Trust ("MMDT"), or in shares in SEC-registered money market funds with the highest possible rating from at least one nationally recognized rating organization.

MMDT is an investment pool created by the Commonwealth under the supervision of the State Treasurer's office. According to the State Treasurer the Trust's investment policy is designed to maintain an average weighted maturity of 90 days or less and is limited to high-quality, readily marketable fixed income instruments, including U.S. Government obligations and highly-rated corporate securities with maturities of one year or less.

Trust funds, unless otherwise provided by the donor, may be invested in accordance with section 54 of Chapter 44, which permits a broader range of investments than section 55, including any bonds or notes that are legal investments for savings banks in the Commonwealth. The restrictions imposed by sections 54 and 55 do not apply to city and town retirement systems. (See pages 30-31 of the audited financial statements for June 30, 2006 in Appendix B for additional information regarding the Town's investments.)

COLLECTIVE BARGAINING

City and Town employees (other than managerial and confidential employees) are entitled to join unions and to bargain collectively on questions of wages, hours and other terms and conditions of employment.

The Town has approximately 601 full and part-time permanent employees of whom approximately 48 per cent belong to unions or other collective bargaining groups as follows:

<u>Department</u>	<u>Union</u>	<u>Number of People</u>	<u>Contract Expires</u>
School	Unit B	2	06/30/10
School	Teachers	136	06/30/09
School Secretaries	Secretaries	9	06/30/10
School	Tutors & Aides	59	06/30/09
School	Custodians	14	06/30/09
Café School	Cafeteria Workers	18	06/30/10
School	Nurses	3	06/30/09
Police Officers	IBPO	12	06/30/08
Fire	Dispatchers	4	06/30/10
DPW	DPW Workers	8	06/30/09
DPW	Middle Managers	3	06/30/10
Town	Clerical	19	06/30/08
Fire	Firefighters	<u>3</u>	06/30/08
		290	

PHYSICAL AND ECONOMIC CHARACTERISTICS

Principal Employers (1)

The following are the principal employers, other than the Town itself, located in the Town:

<u>Company</u>	<u>Nature of Business</u>	<u>Approximate Current Employees</u>
PJ Keating	Industrial	225
Walmart	Retail Store	202
Tradex Corporation	Manufacturing	95
Ecological Fibers	Manufacturing	80
Maki Home Center	Building Supplies	65
Hannaford	Grocery Store	45

(1) Source: The Town as of June 2008.

Employment by Industry

	Calendar Year Average				
	2006	2005	2004	2003	2002
Construction & Natural Resources	356	384	357	330	233
Manufacturing	103	93	137	159	272
Trade, Transportation & Utilities	960	935	946	946	938
Financial Activities	46	48	48	56	51
Professional & Business Services	125	114	107	102	146
Education & Health Services	68	71	72	68	61
Leisure & Hospitality	276	195	159	188	204
Information & Other Services	45	54	60	159	159
Total Employment	1,979	1,894	1,886	2,008	2,064
Number of Establishments	232	225	235	229	220
Total Annual Wage (000)	\$90,263	\$83,535	\$79,402	\$78,402	\$81,898
Average Weekly Wage	\$701	\$675	\$651	\$619	\$628

Building Permits**Calendar**

<u>Year</u>	<u>Number</u>	<u>Estimated Value</u>
2007	334	\$11,722,197
2006	402	12,461,022
2005	406	14,673,958
2004	384	18,981,605
2003	389	21,368,447

OTHER DATA

Unemployment (1)

	<u>Lunenburg</u>	<u>Massachusetts</u>	<u>United States</u>
2008 (March)	5.1%	4.8%	5.2%
2007	4.9	4.5	4.6
2006	5.2	5.0	4.6
2005	5.1	4.8	5.1
2004	5.7	5.2	5.5

(1) Massachusetts Department of Employment and Training. Full year annual averages except for 2008 which is for the month indicated.

Year	Lunenburg		Worcester County		Massachusetts	
	Number	% Change	Number	% Change	Number	% Change
2020 (Proj.)	8,880	-3.4%	843,534	6.3%	6,767,712	3.2%
2010 (Proj.)	9,189	-8.2	793,336	1.8	6,557,001	2.2
2000	9,401	3.1	750,963	5.8	6,349,097	5.5
1990	9,917	8.5	709,705	9.8	6,016,425	4.9
1980	8,405	13.3	646,352	1.5	5,737,037	0.8
1970	7,419		637,037		5,689,170	

(1) Source: U.S. Department of Commerce for actuals and estimates, Massachusetts Institute for Social & Economic Research for projections.

POPULATION DENSITY (1)

Year	Lunenburg		Worcester County		Massachusetts	
	Number	Density (2)	Number	Density	Number	Density
2020 (Proj.)	8,880	336.1	843,534	557.5	6,767,712	863.5
2010 (Proj.)	9,189	347.8	793,336	524.3	6,557,001	836.6
2000	9,401	355.8	750,963	496.3	6,349,097	810.0
1990	9,917	345.0	709,705	469.0	6,016,425	767.6
1980	8,405	318.1	646,352	427.2	5,737,037	732.0
1970	7,419	280.8	637,037	421.0	5,689,170	725.8

(1) Source: U.S. Department of Commerce.

(2) Based on 43.3 square miles.

POPULATION COMPOSITION BY AGE 2000 (1)

Age	Lunenburg		Worcester County		Massachusetts	
	Number	Percent	Number	Percent	Number	Percent
Under 5 Years	554	5.9%	50,027	6.7%	397,268	6.3%
5 Years to 17 Years	2,077	22.1	162,638	21.7	1,277,845	20.1
18 Years to 64 Years	5,641	60.0	440,329	58.6	3,813,822	60.1
65 Years & Over	<u>1,129</u>	<u>12.0</u>	<u>97,969</u>	<u>13.0</u>	<u>860,162</u>	<u>13.5</u>
Total	<u>9,401</u>	<u>100.0%</u>	<u>750,963</u>	<u>100.0%</u>	<u>6,349,097</u>	<u>100.0%</u>
Median Age		39.4		36.3		36.5
Median Age (1990)		35.7		33.1		33.6

(1) Source: U.S. Department of Commerce.

Income Levels (1)

Year	Lunenburg		Worcester County		Massachusetts	
	Amount	% Change from Previous Census	Amount	% Change from Previous Census	Amount	% Change from Previous Census
1999	\$26,986	40.8%	\$22,983	48.3%	\$25,952	50.7%
1989	19,166	142.3	15,500	124.4	17,224	131.0
1979	7,911	NA	6,908	NA	7,457	NA

% Below Poverty Level (1990)	4.1%	9.2%	9.3%
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(1) Source: U.S. Department of Commerce.

FAMILY INCOME DISTRIBUTION 1999 (1)

Income for Families	Lunenburg		Worcester County		Massachusetts	
	Families	Percent	Families	Percent	Families	Percent
Less than \$10,000	39	1.5%	8,811	4.5%	71,198	4.5
10,000 - 24,999	235	8.8	22,849	11.8	175,120	11.0
25,000 - 49,999	565	21.1	48,192	24.9	368,418	23.2
50,000 - 74,999	711	26.6	46,056	23.8	359,202	22.6
75,000 - 99,999	482	18.0	30,392	15.7	251,231	15.8
100,000 - 149,999	423	15.8	25,632	13.2	222,234	14.0
150,000 or more	219	8.2	11,880	6.1	140,134	8.8
Total	<u>2,674</u>	<u>100.0%</u>	<u>193,812</u>	<u>100.0%</u>	<u>1,587,537</u>	<u>100.0%</u>
Median Income	\$63,981		\$58,394		\$61,664	

HOUSEHOLD INCOME DISTRIBUTION 1999 (1)

Income for Households	Lunenburg		Worcester County		Massachusetts	
	Households	Percent	Households	Percent	Households	Percent
Less than \$10,000	92	2.6%	25,152	8.8%	214,700	8.8%
10,000 - 24,999	542	15.2	48,186	17.0	385,395	15.8
25,000 - 49,999	832	23.4	74,212	26.1	608,320	24.9
50,000 - 74,999	818	23.0	58,935	20.7	490,998	20.1
75,000 - 99,999	564	15.9	35,696	12.6	312,741	12.8
100,000 - 149,999	467	13.1	28,596	10.1	267,300	10.9
150,000 or more	240	6.8	13,441	4.7	165,134	6.8
Total	3,555	100.0%	284,218	100.0%	2,444,588	100.0%

Median Income \$56,812 \$47,874 \$50,502

(1) Source: U.S. Department of Commerce.

VALUE DISTRIBUTION OF SPECIFIED OWNER-OCCUPIED HOUSING UNITS 2000 (1)

Units	Lunenburg		Worcester County		Massachusetts	
	Number	Percent	Number	Percent	Number	Percent
Less than \$100,000	402	15.1%	24,058	16.1%	113,263	9.5%
100,000 - 149,999	809	30.3	55,194	36.9	277,571	23.4
150,000 - 199,999	679	25.4	33,326	22.3	273,542	23.0
200,000 - 299,999	588	22.0	24,356	16.3	286,599	24.1
300,000 - 499,999	178	6.7	10,715	7.2	170,536	14.4
500,000 or more	12	0.4	1,739	1.2	66,360	5.6
Total	2,668	100.0%	149,388	100.0%	1,187,871	100.0%

Median Value \$157,300 \$139,600 \$185,700

(1) Source: U.S. Department of Commerce.

AGE DISTRIBUTION OF HOUSING UNITS 2000 (1)

Year Built	Lunenburg		Worcester County		Massachusetts	
	Number	Percent	Number	Percent	Number	Percent
1990 to March 2000	368	10.00%	32,843	11.00%	218,407	8.3
1980 to 1989	483	13.2	39,366	13.2	292,701	11.2
1940 to 1979	2,210	60.3	127,855	42.9	1,205,183	46
1939 or Earlier	607	16.5	98,095	32.9	905,698	34.5
Total	3,668	100.00%	298,159	100.00%	2,621,989	100.0%

(1) Source: U.S. Department of Commerce.

HOUSING UNIT INVENTORY 2000 (1)

Units in Structure	Lunenburg		Worcester County		Massachusetts	
	Number	Percent	Number	Percent	Number	Percent
1, Detached	3,165	86.3%	167,648	56.2%	1,374,479	52.4
1, Attached	111	3.0	10,667	3.6	104,129	4.0
2 to 4	253	6.9	69,488	23.3	603,917	23.0
5 to 9	18	0.5	17,467	5.9	156,135	6.0
10 to 19	9	0.2	11,079	3.7	113,697	4.3
20 or More	0	0.0	18,870	6.3	244,892	9.3
Mobile Home, Trailer, or Other	112	3.1	2,940	1.0	24,740	0.9
Total	3,668	100.0%	298,159	100.0%	2,621,989	100.0%

(1) Source: U.S. Department of Commerce.

EDUCATIONAL ATTAINMENT 2000 (1)

Years of School Completed	Lunenburg		Worcester County		Massachusetts	
	Number	Percent	Number	Percent	Number	Percent
Less than 9th Grade	196	3.0%	28,826	5.8%	247,556	5.8%
9th to 12th Grade, No Diploma	519	8.0	53,200	10.7	403,537	9.4
High School Graduate	1,731	26.8	149,639	30.2	1,165,489	27.3
Some College, No Degree	1,370	21.2	91,635	18.5	730,135	17.1
Associate's Degree	613	9.5	39,063	7.9	308,263	7.2
Bachelor's Degree	1,257	19.4	82,648	16.7	834,554	19.5
Graduate or Professional Degree	781	12.1	50,857	10.3	583,741	13.7
Total	6,467	100.0%	495,868	100.0%	4,273,275	100.0%

High School Graduate or Higher	5,752	88.9%	413,842	83.5%	3,622,182	84.8%
Bachelor's Degree or Higher	2,038	31.5%	133,505	26.9%	1,418,295	33.2%

(1) Source: U.S. Department of Commerce.

PUBLIC SCHOOL ENROLLMENTS (1)

	Actual					
	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Elementary (K-5)	641	724	730	785	712	694
Middle School (6-8)	591	420	428	414	413	415
Senior High School (9-12)	592	625	628	653	620	588
Total	1,824	1,769	1,786	1,852	1,745	1,697

(1) Source: Massachusetts Dept. of Education - As of October 1, each school year.

LITIGATION

In the opinion of the Town, there is no litigation, pending which, either individually or in the aggregate, is likely to result in final judgments against the Town, which would materially affect the Town's financial position or its ability to pay its obligations.

TOWN OF LUNENBURG
Massachusetts

By: /s/ Julie Dell'Anna
Town Treasurer

Dated: June 5, 2008

APPENDIX A

The Balance Sheets for June 30, 2003 through 2006 and the combined Statement of Revenues, Expenditures and Changes in Fund Balance for fiscal years 2003 through 2006 have been extracted from the audits of Powers and Sullivan, Certified Public Accountants. The Balance Sheet and the combined Statement of Revenues, Expenditures and Changes in Fund Balance for June 30, 2007 have been extracted from the DRAFT audit of Powers and Sullivan, Certified Public Accountants.

A copy of the 2006 audited financial statement is reproduced in Appendix B.

**TOWN OF LUNENBURG
MASSACHUSETTS
BALANCE SHEET (1)
GENERAL FUND
June 30,**

Assets	2007 (2)	2006	2005	2004	2003
Cash and Cash Equivalents	\$3,620,364	\$4,288,227	\$2,414,944	\$1,540,909	\$2,961,623
Receivables:					
Accounts Receivables	0	0	0	0	483,049
Property Taxes	248,360	213,397	165,005	592,433	624,295
Excises	108,089	108,323	84,267	99,646	0
Tax Liens and Foreclosures	417,943	337,809	332,214	0	0
Departmental & Other	173,452	353,983	314,288	164,570	19,807
Special Assessments	160,140	349,057	394,289	0	0
Intergovernmental	6,445,991	7,119,218	8,128,430	1,356	97,163
Due From Other Funds	256,153	14,160	693,422	1,668,566	0
Total Assets	\$11,430,492	\$12,784,174	\$12,526,859	\$4,067,480	\$4,185,937

Liabilities and Fund Equity

Liabilities

Warrants Payable	293,960	493,145	451,799	579,643	1,382,466
Accrued Payroll	542,745	503,949	482,316	651,897	474,024
Liabilities due Depositors	7,680	7,680	7,684	0	0
Payroll Withholdings	340,806	291,017	162,811	0	0
Abandoned Property	2,396	455	455	0	0
Other Liabilities	29,466	30,948	36,907	50,568	68,259
Deferred Revenues	7,553,983	8,481,786	9,417,607	849,460	1,107,345
Total Liabilities	\$8,771,036	\$9,808,980	\$10,559,579	\$2,131,568	\$3,032,094

Fund Equity

Reserve for Encumbrances	239,356	168,071	320,724	295,649	375,451
Reserve for Expenditures	0	0	0	26,015	0
Reserve for Other Specific Purposes	0	0	0	112,504	0
Unreserved, Designated	203,009	25,025	888,724	0	0
Unreserved, Undesignated	2,217,091	2,782,098	757,832	1,501,744	778,392
Total Fund Equity	2,659,456	2,975,194	1,967,280	1,935,912	1,153,843

Total Liabilities and Fund Equity	\$11,430,492	\$12,784,174	\$12,526,859	\$4,067,480	\$4,185,937
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(1) Excerpts from audited financial statements prepared by Powers and Sullivan, Certified Public Accountants.

(2) Excerpts from DRAFT financial statements prepared by Powers and Sullivan, Certified Public Accountants.

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TOWN OF LUNENBURG, MASSACHUSETTS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND (1)
JUNE 30,

Revenues	2007 (2)	2006	2005	2004	2003
Real Estate & Personal Property Taxes	\$15,618,548	\$15,573,501	\$14,541,507	\$14,187,129	\$12,248,172
Tax Liens	0	169,430	191,479	0	0
Motor Vehicle & Other Excise	1,229,000	1,166,165	1,251,592	1,209,687	1,200,828
Penalties, Interest & Other Taxes	98,000	97,909	110,662	103,812	113,450
Fees & Rentals	491,200	399,656	362,002	101,088	229,628
Payments in Lieu of Taxes	1,600	1,600	3,205	0	0
Licenses and Permits	275,000	252,181	224,754	270,927	187,088
Fines and Forfeits	45,000	524,837	34,435	193,139	145,373
Intergovernmental	6,242,765	8,031,819	6,761,719	6,304,731	5,594,670
Departmental & Other	0	9,924	0	0	0
Special Assessments	27,000	22,085	13,656	67,988	516,304
Investment Income	118,000	117,620	124,119	141,923	47,892
Total Revenues	\$24,146,113	\$26,366,727	\$23,619,130	\$22,580,424	\$20,283,405
Expenditures					
General Government	\$1,689,824	\$1,244,026	\$1,276,971	\$1,146,925	\$1,121,610
Public Safety	2,026,535	1,837,730	1,660,284	1,546,582	1,554,539
Education	14,274,254	13,428,919	12,306,954	14,214,843	10,850,217
Public Works	1,061,198	1,073,011	1,338,444	1,217,091	1,080,933
Human Services	154,433	142,677	125,127	124,474	129,074
Culture and Recreation	344,324	304,649	198,016	190,854	262,848
Pension Benefits	435,584	2,223,902	2,206,225	0	3,962,641
Property & Liability Insurance	169,736	166,906	150,890	0	0
Employee Benefits	1,679,293	1,500,633	1,383,222	1,405,398	0
State & County Charges	823,769	765,606	676,821	444,559	441,597
Debt Service	2,107,127	2,069,096	1,906,813	1,957,860	654,077
Total Expenditures	\$24,766,077	\$24,757,155	\$23,229,767	\$22,248,586	\$20,057,536
Excess (Deficiency) of Revenues Over Expenditures	(619,964)	1,609,572	389,363	331,838	225,869
Other Financing Sources (Uses)					
Operating Transfers - In	543,560	547,332	340,872	636,820	120,443
Operating Transfers - Out	(1,118,834)	(1,148,990)	(698,867)	(186,589)	(236,725)
Total Other Financing Sources (Uses)	(575,274)	(601,658)	(357,995)	450,231	(116,282)
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(1,195,238)	1,007,914	31,368	782,069	109,587
Fund Balance - Beginning	2,975,194	1,967,280	1,935,912	1,153,843	1,044,256
Prior Period Adjustments		0	0	0	0
Fund Balance - Ending	\$1,779,956	\$2,975,194	\$1,967,280	\$1,935,912	\$1,153,843

(1) Excerpts from audited financial statements of the Town prepared by Powers and Sullivan, Certified Public Accountants.

(2) Excerpts from DRAFT financial statements prepared by Powers and Sullivan, Certified Public Accountants.

APPENDIX B

There follows in this Appendix a copy of the audit report of Powers and Sullivan, Certified Public Accountants of Wakefield, Massachusetts for fiscal year 2006.

Facsimile Bid Form

TOWN OF LUNENBURG, MASSACHUSETTS
\$5,689,258
GENERAL OBLIGATION BOND ANTICIPATION NOTES

Julie Dell'Anna, Treasurer
Town of Lunenburg, Massachusetts 01757

Sale Date: June 12, 2008
Dated Date: June 25, 2008

By Fax to: (508) 234-1938

Dear Ms. Dell'Anna:

For all or a portion of the principal amount of \$5,689,258 Bond Anticipation Notes legally issued as described in the Notice of Sale dated June 5, 2008, we will pay the Town a price of not less than par **plus a premium of not less than \$17,067.77** as follows, plus accrued interest to date of delivery, provided the Notes bear the following interest rate:

<u><i>Principal Amount</i></u>	<u><i>Interest Rate</i></u>	<u><i>Premium</i></u>	<u><i>NIC</i></u>	<u><i>NIC</i></u>
\$ _____	_____ %	\$ _____	_____ %	\$ _____
\$ _____	_____ %	\$ _____	_____ %	\$ _____
\$ _____	_____ %	\$ _____	_____ %	\$ _____

Interest is payable at maturity of the Notes on June 25, 2009. The Notes are not subject to redemption prior to maturity.

In making this bid, we accept the terms and conditions as defined in the Notice of Sale dated June 5, 2008. All blank spaces in this bid are intentional and are not to be construed as an omission.

All Bids are subject to verification prior to award

Submitted by:

Phone:

Mailing Address:
